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Friederike Elisabeth Müller

Government Interventions During the Economic and Financial Crisis 2008/09

An Analysis of National Economic Stimulus Programs in Response to the Economic and Financial Crisis

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Abstract

This research traces the sources of differences in national economic stimulus programs designed and set up in response to the economic crisis 2008/09. Based on a comparative case study of the stimulus programs of Germany and France, I argue that differences in the national configuration of the economies and not solely economic preconditions explain the diverging outcomes. Using Vivien Schmidt's "Varieties of Capitalism"-framework from 2002, I show that corporatist traditions still have a significant impact on policy outcomes in Germany whereas in France various interest groups have to cope with differing conditions for influence exertion. In fact, the balance between social- and business-supporting measures of the German stimulus program is a prime example of the German state as an "enabling facilitator". The French stimulus program, that is significantly smaller in contrast to its German counterpart, exhibits a strong support of the industry reflecting the weak position of trade-unions vis-à-vis businesses and the state. Overall, the paper provides a comprehensive approach to comparativist policy-research by taking into account economic, institutional and political factors. It shall serve as the starting point for further research in the field of governmental interventions during the crises of the recent years.

Contents

List of Abbreviations

BDI Bund der deutschen Industrie (Federation of the German Industries)
BIS Bank for International Settlements
BMVBS Bundesministerium für Verkehr, Bau und Stadtentwicklung (Federal Ministry of Transport, Building and Urban Development)
BMWi Bundesministerium für Wirtschaft und Technologie (Federal Ministry of Economics and Technology)
CAC 40 Cotation Assistée en Continu (Continuous Assisted Quotation)
CDU Christlich Demokratische Union Deutschlands (Christian Democratic Union)
CID Center for International Development (at Harvard University)
CME Coordinated Market Economy
DGB Deutscher Gewerkschaftsbund (The Confederation of German Trade Unions)
DIHK Deutscher Industrie- und Handelskammertag (German Chamber of Commerce and Industry)
DIW Deutsches Institut für Wirtschaftsforschung (German Institute for Economic Research)
DV Dependent Variable
EC European Commission
ECB European Central Bank
ENA École Nationale d'Administration
FAZ Frankfurter Allgemeine Zeitung
FED Federal Reserve Bank System of the United States
GDP Gross Domestic Product
IMF International Monetary Fund
IV Independent Variable
LME Liberal Market Economy
MEDEF Mouvement des Entreprises de France (Movement of the Enterprises of France)
OECD Organization for Economic Co-operation and Development
SPD Sozialdemokratische Partei Deutschlands (Social Democratic Party of Germany)
UMP Union pour un Mouvement Populaire (Union for a Popular Movement)
VDA Verband der Automobilindustrie (Association of the Automotive Industry)
VoC Varieties of Capitalism
ZDB Zentralverband Deutscher Bauindustrie (Central Association of the German Construction Industry)

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1 Introduction: Puzzle – Varieties of State Interventions in Response to the Crisis 2008/2009

Against the backdrop of a predicted convergence of national economies towards a common model of capitalism (cf. Schmidt 2008: 304), the variety in the reactions of national governments in dealing with the financial and economic crisis in 2008/09 (hereinafter referred to as "the crisis") appears puzzling. Particularly considering the size of economic stimulus packages – relative to GDP – of countries that were hit by the crisis to a similar degree, one would assume to observe more similarities. But in fact, stimulus packages varied widely ranging from around 0.5% of GDP (e.g. France [according to OECD figures] or Italy) to more than 5% of GDP (e.g. U.S.) (cf. OECD 2009: 19). Although one could argue that this variance is due to structural economic differences of the countries, the data indicates differently. Countries with supposedly similar structural economic preconditions reacted to the crisis with completely different forms of interventions in terms of the composition and magnitude of the stimulus packages (cf. Saha/von Weizsäcker 2009; Watt 2009). Why, for instance, has Germany set up an extensive short-term labor support program while France has not (cf. Saha/von Weizsäcker 2009: 4), even though the French unemployment rate has gone up whereas the German rate remained relatively stable during the crisis (cf. Bundesagentur für Arbeit 2009:5ff/14)? This paper takes this puzzle and the lack of explanatory power of purely economic approaches as a starting point for an analysis of the different forms of state intervention during the crisis from a political economy perspective. The underlying hypothesis implies that political science oriented approaches to the issue can add essential insights. More specifically, based on the "Varieties of Capitalism"-literature, I will primarily draw on political and institutional factors in relation to economic factors in order to explore the sources of the large variation in policy responses. I will argue that differences in the national configuration of a political economy are primarily responsible for the variation in policy responses to the same economic phenomenon. However, due to the limited frame of this paper, the research does not intend to be fully capable of providing proof for causal-relationships. It rather aims at highlighting possible explanations for a policy phenomenon by means of qualitative analysis.

1.1 Research Question and Relevance

The above identified empirical puzzle leads us to the following question that also constitutes the research question for this paper:

> How can variations in national economic stimulus programs designed and set up in response to the financial and economic crisis in 2008/09 be explained? What explains variations in magnitude – relative to GDP? What explains variations in composition?

There is a long list of scholars, particularly economists, who already dealt with the economic stimulus packages of 2008/09 (cf. Krugman 2009b; Watt 2009; Saha/von Weizsäcker 2009; Prasad/Sorkin 2009; Illing 2013; etc.). But while they recognize that there are enormous variations between the different programs, they seem primarily interested in the economic impact of different measures or focus on purely economic explanations for the variations (cf. Saha/von Weizsäcker 2009: 4). Therefore this paper constitutes an attempt to enrich the existing literature in this particular field by shedding light on the drivers of the state interventionist policies in response to the crisis. Another objective of this paper is to increase our understanding of national policy-making and how the institutional setting influences the content of policies.

By drawing on the comparative string of the political economy literature, this research follows Weber's and Schmitz's analysis of the national bank rescue packages that were initiated as a first response to the crisis in 2008 (cf. Weber/Schmitz 2011). In line with their paper, I will refer to a variety of authors within the field of comparative political economy in order to capture the sources of divergences in policy outcomes.

1.2 Overview of the Financial and Economic Crisis in 2008/09

The financial and economic crisis of 2008/09 with its effects and implications have already been discussed in great detail by many different authors and scholars (e.g. Krugman 2009a/2009b; Illing 2013). Yet, I want to give a brief overview of the developments leading to an unparalleled intervention of governments in the markets (cf. Eicker-Wolf et al. 2009: 20). Up until the crash of the American bank Lehman Brothers – an event that is widely considered as the starting point for the *global* financial and economic crisis[1] – markets were characterized by "lax regulations and a flood of liquidity" (Stiglitz 2009). After an almost decade-long global wave of neo-liberalism that included privatization and liberal regulations in most advanced economies, the anti-cyclical stimulus packages set up in response to the crisis represented a radical break with the preceding economic policies in many Western countries (cf. Eicker-Wolf et al. 2009: 20). Hence, the question to be asked is what has led to the crisis in the first place, and why was this (financial) crisis so much more severe than others so that it triggered such a fierce reaction by governments?

Unlike the dotcom-crisis in the beginning of the 21st century, the financial crisis of 2008/09 had serious consequences on the real economy. The American subprime crisis is commonly viewed as the trigger that led first to a global financial crisis and in a second consequence to an economic crisis. It was the result of an era of loose monetary policy of the U.S. Federal Reserve (Fed) in the early 2000s (cf. Illing 2013: 20f). The Fed's low-interest policy gave many citizens the opportunity to take out a mortgage loan to buy a house even if they did not have the financial resources to bring in substantial collateral for the mortgage (ibid)[2]. In order to spread the risk of potential credit defaults, banks came up with asset-backed securities and credit-default swaps that mixed risky loans with triple A rated loans. By means of securitization high-risk "subprime" mortgages found their way on the balance sheets of banks across the globe. This meant that once an increasing number of subprime mortgage takers defaulted, not only U.S.-banks were affected, but also small, industry-focused banks such as the German IKB whose core-business was business financing – not trading credit-default swaps (cf. Illing 2013: 21). When the Fed increased interest rates, the rates of the variable-interest loans increased as well which led to a vast number of loan-defaults, which, of course, could not be covered by asset collaterals as house-prices had gone down (cf. Krugman 2008b: 167) [3]. Thus, due to the securitization of subprime mortgages banks around the world had to write off a large part of their assets (cf. Illing 2013: 21ff). The large amount of write-offs brought many banks in trouble as regards to their refinancing on the internal bank market. The banks' liquidity problems eventually translated into a tightening of credit to businesses and other banks (ibid; ECB 2008). At this

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[1] However, first symptoms of the crisis – even in Germany – could have already been observed in 2007 (cf. Illing 2013:20ff).

[2] Unlike borrowers in Germany, who have to guarantee a loan with their entire assets, American borrowers only have to guarantee with the property and house to which the mortgage belongs (cf. Illing 2013: 20). Consequently, the value of the mortgages went down rapidly once the housing bubble burst and real-estate prices fell rapidly.

[3] "Even the gradual initial decline in home prices, however, undermined the assumptions on which the boom in subprime lending was based. Remember, the key rationale for this lending was the belief that it didn't really matter, from the lender's point of view, whether the borrower could actually make the mortgage payments: as long as house prices kept rising, troubled borrowers could always refinance or pay off their mortgage by selling their house. As soon as home prices started falling instead of rising, and houses became hard to sell, default rates began rising" (Krugman 2008b: 167).

point, governments around the world felt compelled to step in: On the one hand, the example of Lehman Brothers had shown that bankruptcy of any major bank would have disastrous effects on other banks in the system. Therefore governments were pressured to provide banks in need with direct liquidity or indirect guarantees. On the other hand, the negative effects of the "credit crunch" on businesses and the upcoming recession had to be countered with economic stimulus programs (cf. Illing 2013: 34f).

2 Theoretical Background

Based on the research question formulated above, the research conducted in this paper will be elaborated on throughout this section by first identifying the dependent variable and secondly the explanatory, i.e. independent variables. Furthermore, I will give a brief introduction to the most relevant theories and frameworks that are used in this paper.

2.1 Theoretical Background: Cornerstones of Economic Theory

When talking about governmental interventions – particularly in the context of the crisis 2008/09 – people mostly refer to economic stabilization policies in a Keynesian sense (cf. Farrell/Quiggin 2012; Economist 2013). Keynes demanded "active government intervention – printing more money and, if necessary, spending heavily on public works – to fight unemployment during slumps" (Krugman 2009a). The fast renaissance of Keynesian policies in the wake of the crisis can be regarded as rather surprising considering the pre-2008 prevalence of supply-side economics particularly relying on deregulation and liberalization driven by what is called the "Washington Consensus"(cf. Farrell/Quiggin 2012: 2). In order to fully grasp the magnitude of the policy shift that has taken place in many countries during the years 2008/09, I want to briefly compare those two cornerstones of economic theory.
In its simplest form, the two theory strings can be contrasted as follows: Whereas Keynes demands an "active stimulation of the demand of the state" (Mankiw/Taylor 2008: 879) in times of rising unemployment and sluggish economic growth, the concept of the Washington Consensus that goes along with the ideas of Milton Friedman supports the notion of a minimal state that only provides general conditions so that the market can regulate itself ("night watchman state") (cf. Friedman 1963: 22ff). According to Keynes, unless the government does not actively intervene in the market, the "aggregate demand" in an economy will decrease in case of ongoing pessimism as households will spend less on consumer goods and companies will invest less (cf. Mankiw/Taylor 2008: 879). This in turn would lead to a lower production rate and higher unemployment, which again decreases the aggregate demand. By means of a loose fiscal and monetary policy in times of crises and stricter policies in times of growth, the government can control waves of pessimism and volatilities (ibid). Friedman and the proponents of the Washington Consensus, in contrast, rejected that fiscal policy could be used to stimulate demand and argued that government interventions would only lead to the risk of higher inflation rates and distortions (cf. Friedman 1963). Instead they advocate – among other measures – fiscal discipline and supply-side economic policies such as the flexibilization of labor markets and tax reforms (cf. CID Harvard).
Governments in the Western World have more or less followed both theories over time: After the installation of the Bretton Woods system they mostly followed Keynes, but with the beginning of the 1980s liberalization and deregulation became increasingly popular (cf. Farell/Quiggin 2012: 1f). For the frame of this paper it is essential to consider that economic policies of advanced economies in the pre-2008 decade have been primarily inspired by the ideas of the Washington Consensus and that government

interventions have been quite limited up until 2008 (cf. Eicker-Wolf et al. 2009: 20; Farrell/Quiggin 2012: 2).

2.2 Dependent Variable: National Economic Stimulus Programs in 2008/09

As already indicated above, all OECD and almost all G20-countries intervened to some extent in the market with the set-up of national economic stimulus programs (cf. OECD 2009; Prasad/Sorkin 2009). The dependent variable is thus the size and composition of national stimulus programs designed and set up in response to the crisis. Once the relevant cases are selected, I will analyze the areas of the stimulus programs with the highest variation among the selected countries. A qualitative analysis of the most important measures contained in the different national stimulus programs will be performed in section 4 of this paper.

2.3 Definition of Independent Variables and Operationalization

What drives governments to set up a large-scale economic stimulus package? Why do some governments favor certain sectors over others, and why do other governments focus on rather broad measures such as investments in infrastructure (cf. Saha/von Weizsäcker 2009)? As stated above, the underlying hypothesis of this paper is that a purely economic reasoning cannot explain the large variations exhibited in the stimulus programs. The following explanatory variables are primarily based on the "Varieties of Capitalism"-string of comparative political theory (cf. Hall/Soskice 2001; Schmidt 2002; Amable 2003) that would posit that variations in economic policies in response to the crisis are rooted in the differences in the institutional configuration of an economy. Though assessed separately in the context of this research, each of the below defined independent variables constitutes an essential component of the institutional framework of an economy.
However, in order to enrich my line of arguments, I will also point out alternative approaches and state to what extent they may be able to explain the issue at hand or not.

2.3.1 Excursus: Introduction to the Varieties of Capitalism Approach

Since the line of arguments in this paper is largely driven by the "Varieties of Capitalism" approach (VoC), it seems sensible to provide an introduction to this particular string of the comparative political economy literature.
The classification of countries into different types of economies (cf. Katzenstein 1985; Hall/Soskice 2001), capitalist structures or models (cf. Schmidt 2002; Amable 2003), welfare systems (cf. Esping-Andersen 1990) or policy networks (cf. Van Waarden 1992) has been one of the core issues political economists have dealt with in recent decades. By "clustering" countries in specific groups scholars sought to explain several aspects within a political economy, such as how governments of certain countries react to a changing economic environment, to what extent governments intervene in the economy, why certain economic policies are working for some countries but not for others, whether countries will converge around a single model of capitalism in the ongoing process of globalization or whether there is a superior model of an economy (cf. Hall/Soskice 2001: 1ff; Crouch 2005: 439). Most approaches reason that structural and institutional differences are the result of historical developments, local and geologic realities or major policy changes in reaction to deep-cutting crises (cf. Katzenstein 1985: 34ff). Those structural and institutional differences then, they argue, impact on the choice of policies a government pursues (cf. Schmidt 2002: 108). In the classical VoC-literature – i.e. Hall/Soskice (2002) – the specific historical

development of a country is "centered on their dominant method of coordination between economic actors and the respective complementary institutions" (Weber/Schmitz 2011: 646). In other words, VoC-scholars argue that the way different actors within a system interact with each other ultimately determines policy outcomes and shapes how "countries react to external shocks" (ibid).

This approach thus generally appears to be suitable to capture the differential reactions of national governments in response to the financial crisis as it expands the purely economic point of view to a more multi-faceted perspective on the drivers of policy outcomes. However, since the VoC-literature consists of a plurality of approaches and classifications based on different characteristics, I chose to primarily rely on Vivien Schmidt's categorization of national economies into three "ideal-typical models of capitalism" (cf. Schmidt 2002: 107). As I will elaborate in the following, Schmidt's approach to the VoC is quite particular and differs in some aspects substantially from the "most widely used" (cf. Thelen 2012: 136; Crouch 2005: 442) VoC-framework that has been introduced by Hall and Soskice in 2001. The reason for choosing Schmidt's approach as a starting point – and thereby explicitly not following the approach that is mostly associated with VoC – is threefold. First of all, in contrast to the categorization of market economies into two types, namely liberal-market economies (LME) and coordinated-market economies (CME) (cf. Hall/Soskice 2001: 8ff), Schmidt adds "back" a third type of economy or capitalism, namely that of "state capitalism" (cf. Schmidt 110). Although scholars assumed towards the end of the twentieth century that this type of economy had "lost its empirical validity as much as its normative value" (Schmidt 2002: 111), it seems too restrictive to simplify today's complex world down to two types of economies, particularly since the state underwent a significant renaissance in many countries during the crisis (cf. Hassel/Lütz 2010). Even though purely state-led models are rarely to be found among the advanced economies, Schmidt observes a transformation of formerly "state-*led*" to now "state-*enhanced*" models of capitalism (Schmidt 2002: 111). She argues that "there is much to be learned from comparative analyses of those countries in which the state, having played a highly directive role in the past, continues to exercises significant albeit less direct influence" (ibid). This shall hold especially true for the cases being looked at here. If one tried to explain the variations in economic stimulus packages based on the distinction between CMEs and LMEs, one would not be able to take into account the stimulus packages of countries such as France, Italy or Spain that belong – according to Hall and Soskice – to a kind of residual-category called "Mediterranean" market economies (Hall/Soskice 2001: 21) that are not clearly defined within their framework, and thus would not be eligible for closer analysis.

The other reason for why I chose to base my argumentation on Schmidt's categorization is that she *explicitly* includes the state into her analysis. Instead of putting the firm at the center of her analysis, as Hall and Soskice (2001) or Amable do (2003), she specifically looks at the role of the state in the economy and how state and businesses as well as state and labor interact (cf. Schmidt 2002: 107ff). In order to understand how governments came to their decisions in response to the crisis, a categorization of economies that primarily focuses on the relation of "the firm" to other actors in the economy (Hall/Soskice 2001: 6ff) is evidently less useful. Naturally, the two reasons mentioned already are interdependent – explicitly including government relations with firms and labor as a differentiating characteristic of an economy naturally triggers the introduction of a third model.

Finally, similarly to Hall and Soskice, Schmidt provides an "integrated" framework that not only distinguishes types of capitalism based on one specific factor, e.g. industrial relations, but on a plurality of factors (cf. Thelen 2012: 138) such as business relations, government relations, state characteristics and the relation between industry and finance (cf. Schmidt 2002: 113). This integrated perspective makes the framework quite comprehensive and suitable for an analysis of national stimulus programs.

Nevertheless, although Schmidt's framework will be my primary point of reference in the VoC-literature, I will also incorporate aspects that are used by Hall and Soskice (2001) or Amable (2003) in order to distinguish between different systems. Hence, when I refer to the "VoC-approach" in the following, I primarily refer to Schmidt's understanding of VoC– with its *three* types of capitalism –, but also to the general idea of the VoC to categorize different countries according to their institutional configuration. Moreover, I will focus only on the most relevant aspects of the framework omitting a closer consideration of e.g. "inter-firm relations" (Schmidt 2002: 113ff) as government-business relations are more relevant in this context.

2.3.2 The Notion of Institutional Configuration

The notion of "institutional configuration" is often used by scholars without further specifying the concept. In order to clarify the concept, I will give a brief explanation for the term. The term "institutional configuration" is primarily used by VoC-scholars to describe the "interplay of institutions" (Höpner 2005:333). More precisely it is said that the "models of capitalism debate focuses on interaction effects between institutions within production systems" (ibid). Labor relations, corporate governance or the financial structure are examples of those "production regime institutions" (ibid). Thus, the way trade-unions negotiate wages with businesses or how interest groups can exert influence in the policy-formulation process depends on the institutional configuration of an economy. Therefore, when I hypothesize that the institutional configuration of a political economy impacts on policy-outcomes, I essentially argue that the *specific characteristics* of a country's political economy in terms of the relation between those production regime institutions determine policy-outcomes.

2.3.3 IV_1 and IV_2: Government Relations

The "structure of government relations, involving interactions between state and firms and state and labour" (Schmidt 2002: 107) is one of the key elements used by Schmidt in order to distinguish one type of capitalism from another. Whether those relations are at "arm's length", "negotiated" or "state-directed" (cf. Schmidt 2002: 107ff) essentially determines to which type of capitalism an economy belongs. The argument in the case of economic stimulus programs is that the type of relation between state, business and labor influences on the type of policy and the extensiveness of state support that is provided by the state. In other words, I argue that the higher the "proximity" and exchange of businesses and labor to the state, e.g. via lobby groups or trade-unions, the more the state is willing to design an extensive and sector- and/or labor-specific economic policy.

The question following is what constitutes for "arm's length", "negotiated" or "state-directed" relations? Although Schmidt categorizes certain countries according to those aspects, she does not provide substantial empirical evidence for her claim that, for instance, government relations in Germany can be defined as "negotiated" (cf. Schmidt 2002: 113). However, I argue that the nature of government relations can also be determined based on the *openness* of the *policy-formulation* process of a country. If the institutional setting allows for an open policy-formulation process that includes "consultation *with* the people" (Schmidt 2006:34), business and labor supposedly have more impact when voicing their opinion. When the state has to listen to societal interest groups in its policy-formulation process, the relation between the state, business and labor should automatically be more intense. Therefore the concept of the *openness* of the policy-formulation process might be a good approach to capture the relation between the three groups of actors.

Hence, the next thing to ask is what factors constitute an "open" policy-formulation process. Though developed in a different context[4], Vivien Schmidt's work proves insightful again (cf. Schmidt 2006). In her book "Democracy in Europe. The EU and National Polities" (2006) Schmidt elaborates on the policy-formulation process in different polity types (p.34ff). She distinguishes different forms of policy-formulation processes according to polity types (ibid). According to Schmidt, the policy-making process in "compound polities" is – similarly to the policy-making process of the EU – more open to consultation with societal interest groups (ibid). Whereas in simple polities like France [or the UK] societal interest groups are normally "excluded" (ibid) from the policy-formulation process and only get to voice their opinion when it comes to implementation of policies, compound polities like the one of Germany have more "corporatist policymaking processes […] where certain privileged interests have traditionally been involved in policy formulation and implementation" (ibid: p.35).
Now, in order to measure the influence of societal interest groups in the policy-making process, I will on the one hand look for the type of polity. The table below summarizes the relation between polity type and government relations. The argument reads as follows: a compound polity allows for greater influence of societal groups and therefore constitutes "negotiated" government relations. A simple polity, in contrast, works the other way round and allows for either one-way, i.e. state-directed, or arm's length relations. On the other hand, I will analyze whether there is data that gives evidence of the involvement of interest groups in the process of drafting the stimulus packages.

Polity Type	**Involvement of Societal Interest Groups in the Policy Formulation Process**	**Assumed Relation State – Business – Labor**
Simple	Low	Arm's length/ State-directed
Compound	High	Negotiated

Table 1: Categorization of Polity Types based on the Relation between State, Business and Labor (source: own compilation based on Schmidt 2002 and Schmidt 2006)

A more detailed account of the operationalization will be provided in section 4.

2.3.3.1 IV1: Relation between State and Business

The relation between the state and business, or in other words the "influence" business interest groups exert on the government in the policy-formulation process thus constitutes the first independent variable (IV_1). Following the definition of the first variable, the first hypothesis reads as follows:
H_1: The higher the influence of (specific) business interest groups in the policy-formulation process, the higher the likelihood of a large-scale and sector-specific economic stimulus program.
Intuitively, the problem of this choice of variable is precisely its operationalization. Whereas in some countries interest representation is quite organized, other countries feature quite informal exchange processes that are favored by a highly elite educational system, as it is the case in France[5] (cf. Economist 2012).

2.3.3.2 IV2: Relation between State and Labor

Likewise, the relation between state and labor as reflected in the "influence" of labor interest groups, i.e. trade-unions, in the policy-formulation process is defined as the second independent variable (IV_2). Consequently, the second hypothesis can be read as:

[4] "The EU as Regional State"(Vivien Schmidt 2006).
[5] "Whereas an American CEO and novelist will never meet, the French political, business and cultural elites have practically fused" (Kuper 2013).

H_2: The higher the influence of labor-related interest groups in the policy-formulation process, the higher the likelihood of a large-scale, labor-supporting economic stimulus program.

2.3.4 IV_3: Relation Industry and Finance – Structure of the Financial System

Another component that is considered as a distinguishing aspect of a type of capitalism in most of the relevant VoC-literature is the relation between industry and finance (cf. Hall/Soskice 2001: 7; Schmidt 2002: 113; Amable 2002: 99ff/142ff). Most scholars who rely on this aspect argue that the type of financing that firms receive or seek for – whether equity-based financing via capital markets or debt financing through bank loans – depends on the type of capitalism (cf. Schmidt 2002: 113ff/119ff)[6]. In other words, the financial structure is highly correlated with the type of capitalism. To illustrate this, Germany – usually classified as a CME (cf. Hall/Soskice 2001: 20) or managed type of capitalism (cf. Schmidt 2002: 108) – has been traditionally quite dependent on bank financing (cf. Deutsche Bundesbank 2012: 20ff). In the UK on the other hand – a classical example for a LME (cf. Hall/Soskice 2001: 19) or a market type of capitalism (cf. Schmidt 2002: 108) – companies rely much more on capital markets to raise capital (ibid). The rationale behind choosing the relation between industry and finance as an explanatory variable in this context is the assumption that in economies where firms rely more on bank financing than on capital markets, the need for a direct financial support for companies during the crisis was more pressing[7]. However, it should be highlighted that this assumption substantially differs from the implication Hall and Soskice state in the context of the financial structure of a company (cf. Hall/Soskice 2001: 16/22f). They argue that firms in LMEs react faster to external shocks in terms of laying-off workers, etc. as they face greater pressures from capital markets "to sustain their profitability" (ibid.) Firms in CMEs on the other hand, they argue, are equipped with more "patient" capital and can therefore cope much better with a temporal loss of market share or profitability. The reason for why I diverge from this implication in the frame of this research is based on the fact that Hall and Soskice's argument implicitly assumes that firms are sufficiently capitalized, i.e. have sufficient access to finance, to actually be "patient" and keep on providing firms with capital. As the data suggests, this was not the case in Europe during the crisis 2008/09 which started as a banking crisis (cf. ECB 2008)[8]. Thus, it seems justified to diverge from the initial VoC-assumption.

As many countries among the advanced economies suffered from a "credit crunch" as a result of the financial crisis, companies relying on bank financing were not able to refinance as easily as before the crisis because yields had gone up (cf. Ivashina/Scharfstein 2010: 319ff; Hassel/Lütz 2010: 260). Furthermore, due to the development from a *financial* crisis to an *economic* crisis, firms had trouble to repay their debts (cf. FTD 2009). Therefore, the link between the predominant form of financing in an economy and the amount and type of government support for firms seems worth examining and hence constitutes the third independent variable (IV_3). Consequently, the related hypothesis can be defined as:

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[6] Amable argues similarly in saying that there is a basic distinction "between systems based on arm's-length finance, i.e. financial markets, and systems based on financial intermediaries—banks—which may have more or less long-term relationships with firms" (2003: 99).

[7] In their analysis of the national bank rescue packages Weber and Schmitz (2011) propose a hypothesis that argues in the opposite direction, i.e. that "LME's have bigger bank rescue packages than CMEs" (p.647). However, their assumption is that "banks are sufficiently capitalized" (ibid) which was precisely not the case in the context of the financial crisis 2008. Also it should be added that in the regression analysis they performed the hypothesis got rejected (p. 659). Therefore the above stated approach seems worth examining.

[8] "The impact of banks' funding costs and balance sheet constraints also contributed to the net tightening, particularly banks' ability to access market financing" (ECB 2008: 1).

H_3: The larger the share of firms relying on bank credit financing in an economy, the higher the likelihood of a large-scale and business-supporting stimulus program.

In order to measure the degree of bank-dependent financing of an economy, I will analyze the credit to the non-financial sector in the countries during the period of 2008-2009 (cf. BIS 2013) in relation to GDP (cf. IMF 2013).

2.4 Alternative Approaches

Before testing the above formulated hypotheses on their validity, I will give an overview of some alternative approaches to the explanation of divergences of stimulus packages and consider why they are not fully capable of explaining the matter at hand.

In their working paper, Saha and von Weizsäcker mention the puzzle of the great variation in size and composition of the different stimulus packages in the EU (cf. Saha/von Weizsäcker: 4). However, their attempt to explain those variations by "different starting conditions" seems a bit thin[9], particularly since they do not account for the enormous variation in magnitude. Furthermore, the choice of "spending categories" (ibid) cannot be merely justified on the grounds of different starting conditions as can be seen in the example of Germany and France. In this example, the starting conditions give no indication on why the German government invested so much more in labor-market support-measures than France (cf. Saha/von Weizsäcker 2009:4). In both cases the costs associated with a large number of layoffs can be considered significant. Also, one could assume that in both countries firms would have an interest to keep their employees in order to avoid the cost of hiring new ones after the recession. This example underlines that a more comprehensive approach to this issue is necessary.

Alternatively, Watt (2009) finds that high levels of government debt may have had a constraining effect on government policies during the crisis. This however, as he points out as well, should not be a decisive factor for governments when "running counter-cyclical policies" (ibid: 33). Assuming that policy-makers know that when employing Keynesian policies, the sources of funds should not influence the size and composition of the measures, this explanatory approach can be disregarded as a primary explanation for the puzzle observed. Yet, one should mention that "fiscal room for manoeuvre" (Weber/Schmitz 2011: 642ff) had – according to Weber and Schmitz (2011) – a not insignificant effect on the size of the national bank rescue packages[10]. Nevertheless, the objectives of bank rescue packages and economic stimulus programs should be clearly distinguished. Since economic stimulus programs should have a substantial multiplying effect in terms of increasing GDP – in contrast to bank rescue packages that can be merely considered a loan to banks– budgetary constraints should not matter long-term.

Another aspect that could potentially explain variations in the size of the stimulus packages is the differing degree of "openness" of an economy[11] (cf. Katzenstein 1985: 24; Hassel/Lütz 2010: 261). This would certainly be a valid explanation if small and open economies had had significantly smaller – relative to their GDP – stimulus packages than large states. Yet, the data shows that Austria, Sweden and the Netherlands all had larger stimulus packages – relative to their GDP – than France (cf. Saha/von Weizsäcker 2009: 4, OECD 2009: 19).

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[9] "There may be countries where public infrastructure is acutely lacking so that investment projects enjoy widespread political support, whereas in others there are issues in the tax system that are waiting to be dealt with as part of a stimulus package" (Saha/von Weizsäcker 2009: 4).

[10] "There is evidence […] that tighter fiscal room for manoeuvre is associated with smaller bank rescue packages" (Weber/Schmitz 2011: 658).

[11] "Openness" in terms of foreign trade.

Moving away from economic accounts, partisan theory (cf. Hibbs 1992), i.e. the party composition of the different governments, could also be an indicator for why the size and the composition of national stimulus packages differed so much. According to Manfred Schmidt (1995: 156) (economic) policies reflect the social constituencies of the parties forming the government. Hibbs (1992: 362) argues similarly when stating that economic policy should be "more expansionary […] under Left parties than Right ones". When applied to the case of national stimulus packages, this would imply that the UK and Spain – since they had leftist parties in power during the crisis – would have had more extensive, explicitly labor-supporting and more socially-oriented stimulus packages than Germany, France, the Netherlands or Denmark (cf. Bale/van Biezen 2009:862). However, this was not the case and many countries had conservative or liberal parties in power during the times of the crisis and still provided extensive stimulus programs. Thus, Partisan theory on its own cannot serve as an explanation for the variation on the dependent variable. I will, however, take into account the government composition when referring to Thelen's power resource theory below (cf. Thelen 2012).

3 Methodology, Data and Case Selection

In the following I will briefly describe the methodological approach of this research, the data I am using and I will finally select the relevant cases for the comparative case study.

3.1 Methodology

Approaching the research question from the perspective of comparative political economy, theory has provided three distinct explanatory approaches. Since all three variables are part of the institutional framework applied here, it might be difficult to determine which of the independent variables is *best* capable of explaining the variation in size and composition of national economic stimulus packages. The institutional VoC-framework stipulates that the components of an institutional set up are complementary and interdependent instead of being able to separately explain policy outcomes. The method of controlled comparison that prescribes to compare values on the dependent variable of two or more cases with the values on the independent variable (cf. Van Evera 1997: 56ff) is hence difficult to apply here. Instead I will primarily rely on process-tracing (cf. ibid: 64) in order to assess to what extent each independent variable played a role in the policy-formulation process. This method seems particular suitable for the case of the economic stimulus programs, as most of them evolved over a time-span of several months (e.g. the German package, cf. BMWi 2010a) and process-tracing specifically "explores the chain of events or the decision-making process by which initial case conditions are translated into case outcomes" (Van Evera 1997: 64).

This method will then be applied in the context of a comparative case study of the stimulus programs of two different countries. The case study will be primarily assessed based on a qualitative content analysis. Given the complexities of the policy-making process and of the nature of the formulated explanatory variables this approach seems sensible.

3.2 Data

The data that the research is based on primarily stems from publicly accessible sources from either the countries themselves or from statistical outlets of international organizations such as the IMF, the ECB or the World Bank. Where necessary, the data is complemented by media sources. However, whenever possible, I use official data published by the respective governments since – in contrast to studies that assess the effectiveness of stimulus programs – not the actual amount spent is relevant here, but the intended amounts and instruments of governments.

3.3 Case Selection

In order to select cases that yield the highest insights concerning the validity of the proposed explanatory factors, I will select cases based on their comparability. Since I want to focus on government interventions that were solely a response to the economic and financial crisis in 2008/2009, it seems sensible to limit the frame of potential cases to the OECD-member states. This is rational in order to ensure that only measures that were initiated in response to the crisis are taken into account in contrast to general economy-building measures that governments in developing countries might undertake. In a second step it makes sense to focus on Euro-zone countries since I am assessing fiscal- and not monetary-policies. In order to rule-out monetary-related distortions the Euro-zone appears as a useful filter. One should keep in mind that the above described research puzzle only constitutes a puzzle when the countries are more or less similar in economic terms, but also in terms of "crisis-affectedness . Although a comparison across different economies will always inherit some distortions, the effect of those distortions shall be limited by comparing stimulus packages of economies that exhibit roughly the same characteristics. These requirements and the objective to keep the complexity at a manageable level limit the number of potential cases greatly, but they should also increase the validity of the findings. The following table therefore lists the five largest economies of the Euro-zone in 2008/09. The GDP per capita indicator shall reflect a general comparability in terms of "economic wealth" in order to rule-out the above mentioned crisis-unrelated measures. The indicators "Average projected growth of GDP" and "(Net) debt in % of GDP" are used to ensure that the selected countries are affected by the crisis to roughly the same extent.

Country	GDP per capita* (€)	Average projected growth of GDP*	(Net) Debt in % of GDP*	AV: Size of Stimulus (total/in proportion to GDP)
France	28,426	-1.61%	67.15%	38.8 bn €/ ~2.2%
Germany	28,584	-2.14%	53.41%	108 bn € /~4.61%
Italy	23,984	-3.33%	92.98%	0 €
Netherlands	33,438	-0.93%	21.70%	13.4 bn €/ ~ 2.4%
Spain	23,328	-1.42%	36.65%	56.8 bn €/ ~ 5.3%

Table 2: Five largest Euro-zone Economies (Source: Own compilation (based on IMF 2013, OECD 2009, Gouvernement.fr 2010)

* average (mean) of 2008 and 2009

Based on the rationale of comparability, Germany and France seem like the most suitable candidates for an analysis of their economic stimulus programs in the frame of a comparative case study[12]. On the one hand their economic preconditions seem most similar – GDP per capita was almost the same in 2008/09.

[12] Please note that the total amount of stimulus packages may differ depending on the source I refer to (e.g. compare BMWi 2009, OECD 2009, Saha/von Weizsäcker 2009).

Moreover, they appear to have been affected similarly by the crisis. On the other hand, the variation in magnitude of the stimulus programs seems to be largest. What has not yet been analyzed though is the variation in composition. Thus, before France and Germany are finally selected as candidates for the comparative case study, I will briefly compare the choice of instruments and compositions of the stimulus packages of the two countries[13]. Although one should not select cases solely based on the DV, extreme values on the DV can certainly be a factor for case selection (cf. Van Evera1997: 77).
The two charts below depict precisely that the French and the German stimulus programs did not only differ substantially in magnitude, but also in composition. Whereas almost one third of the French package went to direct support of businesses, the German program has – counter intuitively – a much larger social component. Around 40% of the German program went into employee and unemployed support programs.
Since a much more detailed analysis of both programs will follow below, I will leave it with this broad comparison and conclude that as regards counter-cyclical stimulus programs in the aftermath of the crisis, France and Germany are suitable cases for a comparative case study.

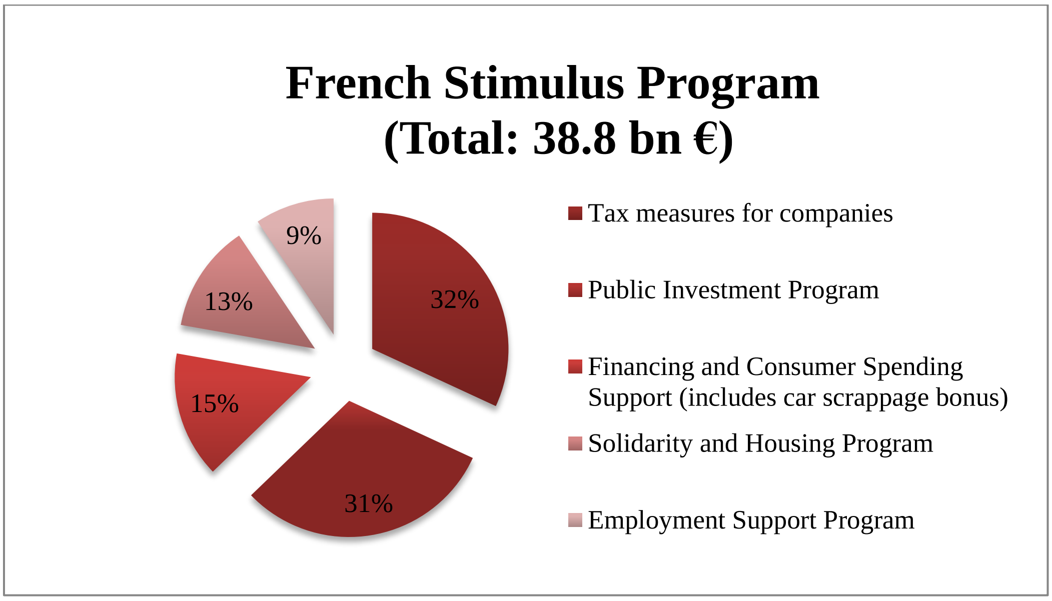

Figure 1: Breakdown of the French Stimulus Program (source: own compilation based on: Bilan du Plan de Relance, Gouvernement.fr 2010)

[13] I will perform a more detailed analysis in section 4 of this paper.

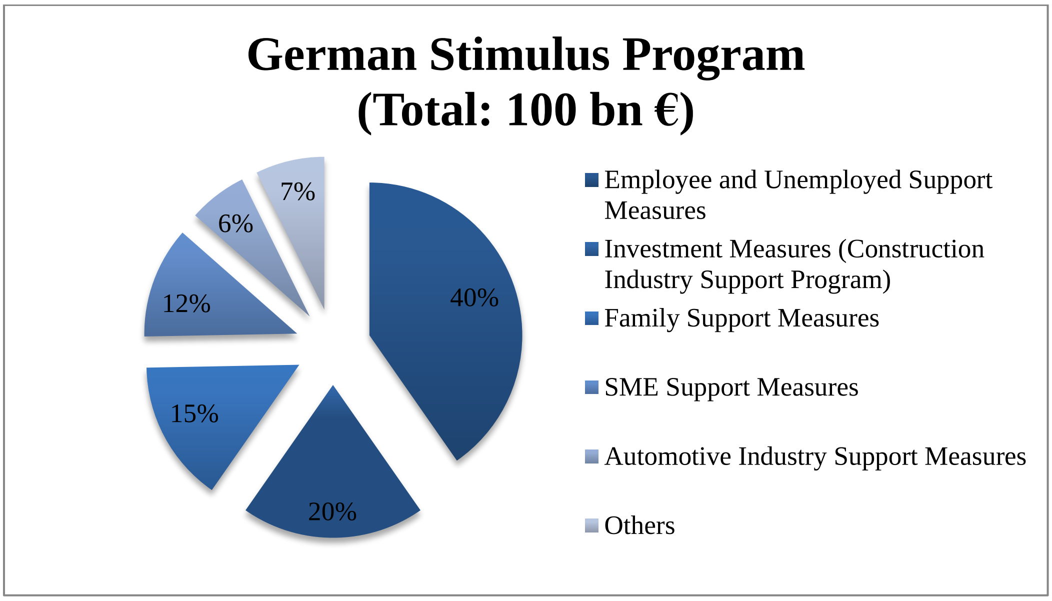

Figure 2: Breakdown of the German Stimulus Program (source: own compilation based on BMWi 2010a)

4 Empirics: National Economic Stimulus Programs in Times of Crisis

Each stimulus program will be assessed based on the above identified independent variables. Where each program contains of a multitude of measures, I will focus on an analysis of the largest and most striking areas of each program.

4.1 General Overview: the Economic Stimulus Programs in Germany and France

Before deep-diving into the analysis of the two stimulus programs, there are several aspects that should be pointed out first. First of all, the numbers referred to in different publications dealing with the stimulus programs differ substantially (e.g. Saha/von Weizsäcker 2009, OECD 2009, Watt 2009)[14]. In the following, I will therefore rely foremost on primary sources published by the respective governments in order to limit distortions. Whenever I have to refer to secondary sources concerning the content and amounts of the stimulus programs, I will indicate so. Secondly, there is a slight temporal difference with which the countries were hit by the crisis. As can be seen in table 1 above, France was initially not as badly affected by the crisis as the much more export-oriented German economy (cf. IMF 2013). This is also reflected in the way the respective governments handled the crisis. Germany reacted much faster in terms of initiating economic stimulus packages, which were enacted in November 2008 and January 2009 (BMWi 2010a), whereas the bulk of France's program was drafted in February 2009 (Gouvernement.fr 2010). Equally important is the decision by the European Council in 2008 to inject 200 billion € (≈1.5% of GDP) in the European economy to counter the effects of the crisis (cf. EC 2008: 6). The bulk of this injection – 170 billion € – was intended to be covered by the individual Member States. The EU strongly urged Member States to act. Yet, the precise implications of this indication – i.e. which Member State would contribute what amount – were left rather vague (cf. Saha/von Weizsäcker 2009: 2).

Finally, the different political situations in the two countries should be pointed out. Whereas Germany was in the very peculiar situation of having a grand coalition of CDU and SPD in government that was

[14] Some only account for actual amounts spent, some account for intended amounts.

facing an upcoming election, France was supposedly characterized by less political dynamics at that time. The potential impact of those political dynamics should be kept in mind when evaluating the economic policies of the two countries.

4.3.2 The German Economic Stimulus Program

The German Economic Stimulus Program chronologically consisted of four parts (cf. BMWi 2010a)[15]. As most other governments of advanced economies, the German government first reacted with rescue packages for banks in order to counter the most severe and pressing effects of the financial crisis (cf. Illing 2013: 35ff). In a next step the government issued a "release-package" ("Entlastungspaket") in October 2008 that was primarily composed of measures that supported consumers and employees (cf. BMWi 2010a). About a month later the first economic stimulus package was released ("Konjunkturpaket I"), which had a much larger business-supporting share. In fact, apart from extending the length of entitlement for the short-term allowance ("Kurzarbeitergeld")[16], this package was solely comprised of business-supporting measures, considering that some indirect measures – for instance the accelerated implementation of transport-related infrastructure-investments of 2 bn € (ibid) – can in fact be regarded as supporting measures for the construction sector. In contrast, the following package ("Konjunkturpaket II") was much more balanced with about half of the measures aimed at family and employee-relieving support. This second package made up 51% of all stimulus measures combined. The large social component of the package – particularly in comparison to the French stimulus program – seems particularly remarkable and shall be assessed in the following in greater detail from the perspectives of the different independent variables. The Growth Acceleration Law ("Wachstumsbeschleunigungsgesetz") from November 2010 was again primarily made up of family support measures with an increase of child benefits representing more than 70% of the package (ibid). Apart from the large social component and the investments in infrastructure, which heavily supported the construction-industry, the significant support of the automotive industry is striking and worth examining in more detail. Below, a detailed overview of the different measures of each (sectoral) program is depicted.

[15] Please refer to the official overview published by the BMWi shown in the annex (section 6) of this paper.

[16] Prolonging the length of entitlement for the short-term allowance is not even part of the 100 bn € of the German stimulus package since according to the German government "Finanzielle Auswirkungen lassen sich nicht quantifizieren, da auch ohne Verlängerung der Bezugsdauer eine Inanspruchnahme von Kurzarbeitergeld erfolgt wäre" (BMWi 2010a).

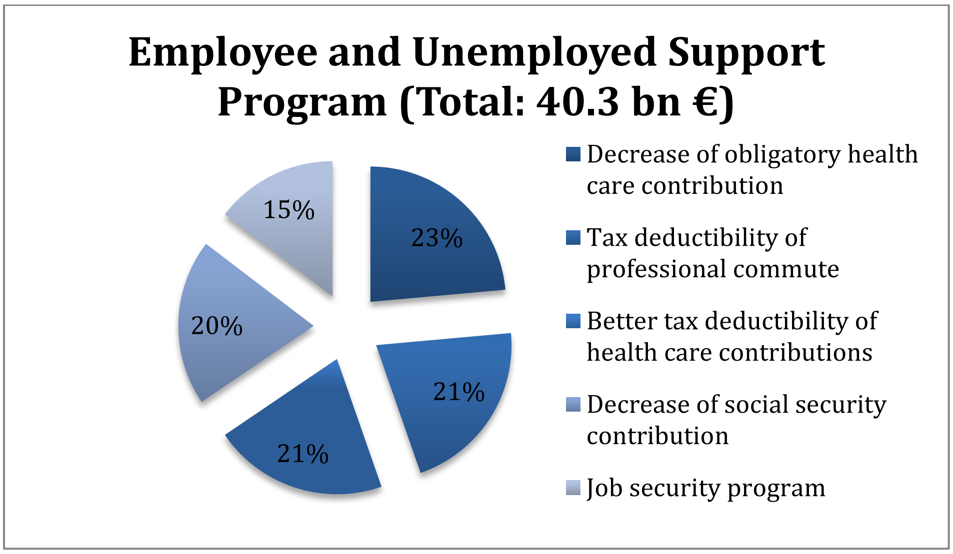

Figure 3: Overview of Employee and Unemployed Support Measures (source: own compilation based on BMWi 2010a)

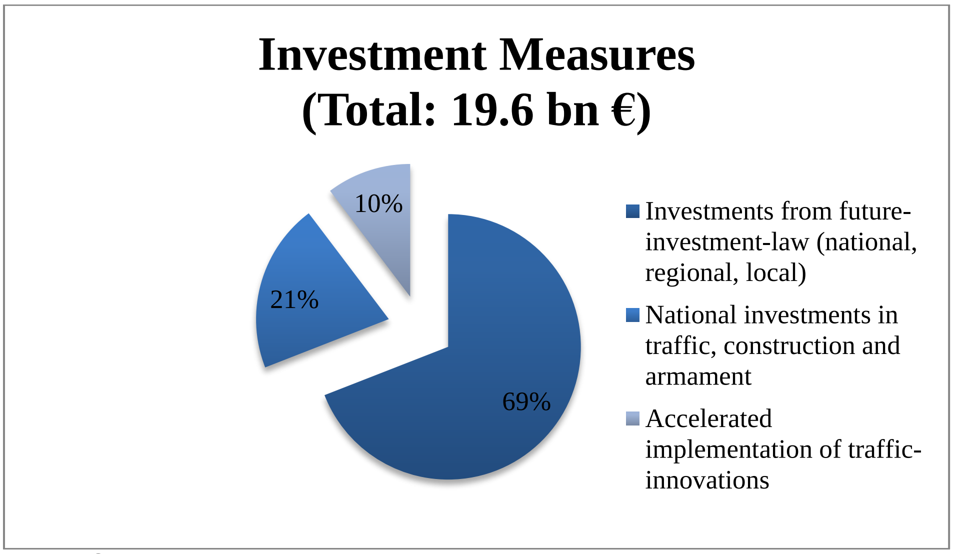

Figure 4: Overview of Investment Measures (source: own compilation based on BMWi 2010a)

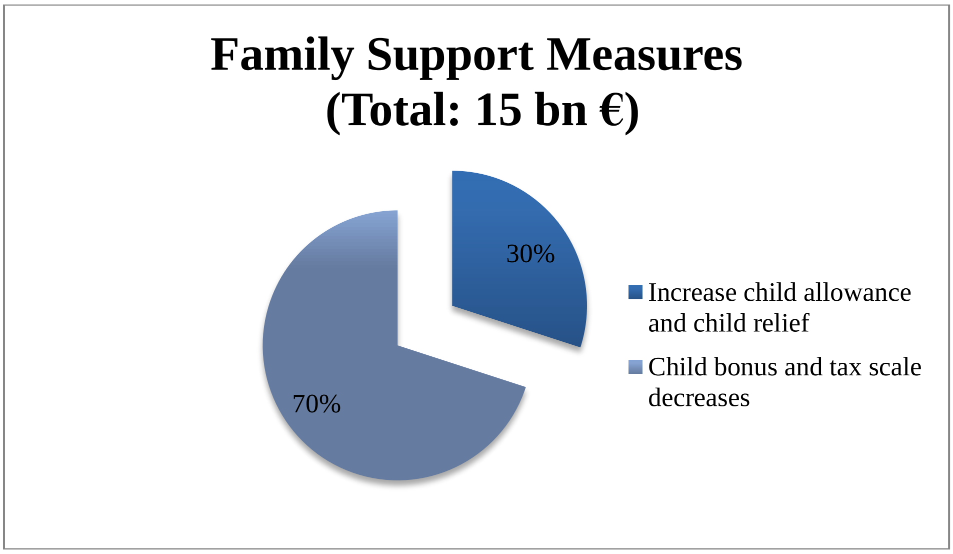

Figure 5: Overview of Family Support Measures (source: own compilation based on BMWI 2010a)

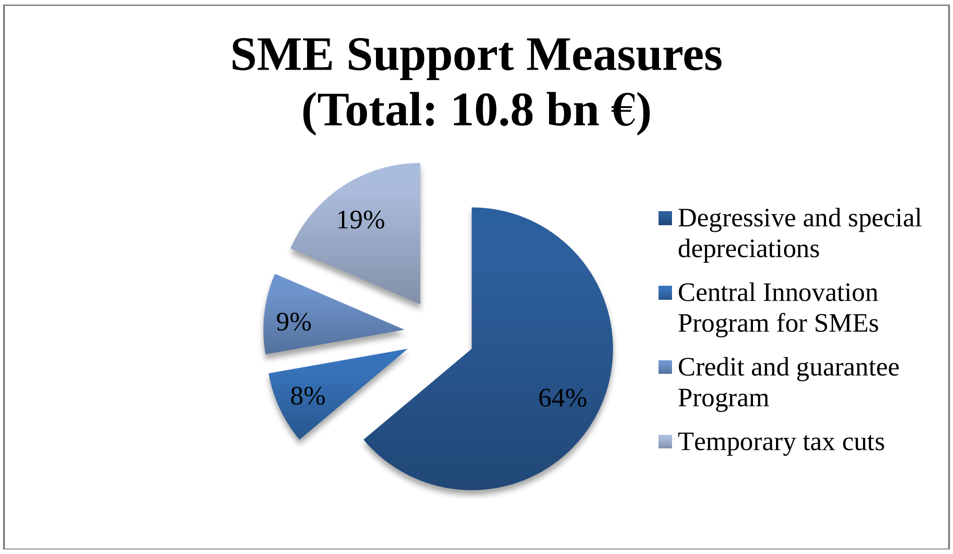

Figure 6: Overview of SME Support Measures (source: own compilation based on BMWi 2010a)[17]

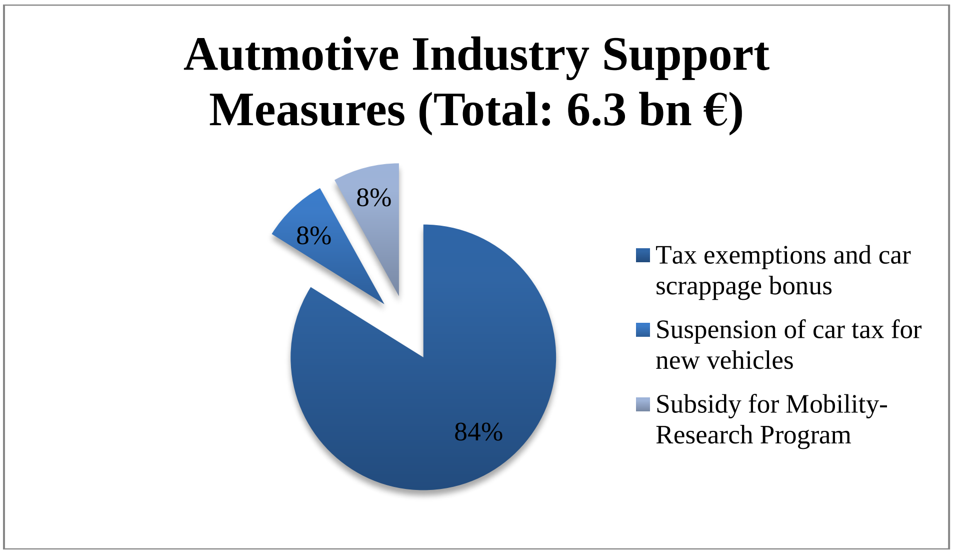

Figure 7: Overview of Automotive Industry Support Measures (source: own compilation based on BMWI 2010a)

4.1.2 The French Economic Stimulus Program

Official information on behalf of the French government about the exact composition of the French stimulus program ("Plan de Relance") is regrettably not as detailed as information published by the BMWi[18] (cf. Plan de relance, Gouvernement.fr 2010). Consequently, I also have to rely on secondary resources. As indicated above, the most striking difference to the German program is its major focus on business support through (temporary) tax cuts, direct financial support and consumer spending incentives, e.g. the car scrappage bonus ("prime de la casse"), on the one hand and the, comparatively, low share of social aid on the other (cf. Gouvernement.fr 2010). Given the rather consumer-focused nature of former French stimulus programs (cf. Bennhold 2008a) this appears puzzling. However, the part of the program that was specifically directed towards families, workers and unemployed particularly targeted the lowest

[17] The 1 bn € labeled as "Credit and guarantee Program" were provided additionally to the "Wirtschaftsfond Deutschland". Although not officially part of the stimulus program, the "Wirtschaftsfond" was initiated in response to it in March 2009 (cf. BMWI 2010b). The entire "Wirtschaftsfond Deutschland" was comprised of 11.5 bn € of financial aid and guarantees (ibid).

[18] BMWi= Federal Ministry of Economics and Technology (Bundesministerium für Wirtschaft und Technologie)

income groups by providing housing and renovation benefits as well as tax cuts (cf. Gouvernement.fr 2010). In terms of specific sectoral support, the support of public enterprises which in turn invested heavily in infrastructure in 2009/10 (= 3.9 bn €) (ibid)[19] should be mentioned on the one hand. On the other, in line with Germany's measures, France also provided special support to the automotive industry with a car scrappage scheme. However, the bonus for consumers was significantly lower: In contrast to the 2,500 € incentive for German consumers, the French government at first only provided 500 € and then 1,000 €, in return for consumers having their more than ten year old car scrapped and buy a new one (cf. Handelsblatt 2009a; Bennhold 2008a). In both countries the bonus was officially a subsidy for the acquisition of new, environment-friendly cars.

4.2 Analysis of IV_1 and IV_2: Interest Mediation in Germany and France

As already mentioned, whether societal interest groups can exert influence on the policy-making process or not largely depends on the specific policy-formulation process of a state (cf. Schmidt 2006: 25ff). Therefore, when considering the compound polity of Germany (cf. Schmidt 2006: 35), it comes as no surprise that its model of interest mediation has been widely described as "corporatist" (ibid) where business, politics and labor have traditionally been able to find compromises and solutions that were mutually beneficial (cf. Weßels 2007: 84). Another aspect that should be analyzed when assessing the degree of influence exertion by lobby groups in an economy is the structure and organization of lobby groups, particularly with respect to their centralization (cf. ibid: 86). The size of the interest group landscape of a state generally varies with the size of the economy. This, however, does not give any implications about the political importance of interest groups in a state (cf ibid: 87). German associations – whether business or labor groups – are traditionally regarded as "quite concentrated and centralized" (ibid: 91), particularly with respect to trade-unions, employer associations and farmer associations (ibid). Closely related is the level of centralization of the wage-bargaining process (cf. Schmidt 2002: 113ff; Weßels 2007: 97f). Corporatist economies are often characterized by highly centralized trade-unions and wage-bargaining processes (ibid). According to Weßels (2007: 98), there is a "clear correlation between organizational-structural centralization and the centralization of wage-bargaining negotiations". In contrast to Germany, the French system is characterized by highly fragmented arrangements preventing a political exchange from developing in which business or labor groups can voice their opinion in an organized manner (ibid).

Hence, in order to evaluate the degree of influence of interest groups in the policy-formulation processes with regard to the national stimulus programs of Germany and France, two dimensions will be compared and evaluated against the backdrop of the polity types of the two countries. On the one hand, the organizational concentration of the relevant interest groups constitutes one dimension (cf. Weßels 2007: 92ff). On the other hand, the official position of the relevant groups regarding government interventions in response to the crisis represents the second dimension. These factors, combined with the general possibility of interest exertion in a system as reflected in the classification of the polity type shall constitute an attempt to capture the influence of societal interest groups in the policy-formulation process. Finally, the political constellation in the two countries – that may favor certain political groups over others according to the power resource theory (Thelen 2012: 148) – will also be taken into account.

[19] E.g. SNCF, La Poste, GDF Suez, EDF, RATP (cf. Gouvernement.fr 2010).

4.2.1 IV_1 Germany: Large Influence by Automotive and Construction Industry

When assessing the German stimulus program with regard to the influence of business interest groups vis-à-vis German policy-makers, the position of four particular groups should be analyzed with greater detail, namely the Federation of German Industries (BDI), the German Chamber of Commerce and Industry (DIHK), the German Association of the Automotive Industry (VDA) and the Central Association of the German Construction Industry ("Zentralverband Deutsches Baugewerbe"). Whereas the BDI, as the umbrella organization for the German industry, and the DIHK represent the general interest of the German industry, the latter two organizations act on behalf of specific industries that were disproportionately favored by the German stimulus program.

As mentioned above, particularly the first stimulus package was quite business-oriented in its composition reflecting the publicly expressed preferences of the BDI (cf. Deutschlandfunk 2009). Also retrospectively, SMEs seemed to be generally satisfied with the measures the German government (cf. BDI 2009). In contrast, the DIHK at first rejected the idea of an economic stimulus program, warning of the high level of public debt and the competitive distortions a stimulus program would cause (cf. DIHK 2008; Berliner Morgenpost 2008). The president of the DIHK particularly criticized the lack of a clear focus of the program (cf. Reuters 2009). Hence, the positions of the supposedly two most influential, industry-wide interest groups in Germany were diametrically opposed towards the end of 2008. The stimulus program put into place by the German government would thus suggest two explanations: Either the opinions voiced by the two associations had no impact on the design of the stimulus program or the BDI was more influential. An indicator for the latter is the speech chancellor Merkel held at a BDI event in January 2013 (cf. Bundesregierung 2013) in which she emphasized the close collaboration between BDI and the government during the crisis[20].

Another powerful example for the close linkage of industry and government in the management of the crisis is the composition of a steering counsel for company financing within the BMWi ("Lenkungsausschuss Unternehmensfinanzierung"; BMWi 2009). This steering counsel invoked by the former Minister Guttenberg was assigned to work out recommendations on behalf of the "Wirtschaftsfond Deutschland". More precisely, it should evaluate which companies were suitable to receive financial support by the fund (ibid). Interestingly enough, more than half of the "experts" who were part of that counsel were former or still active members of the German industry[21]. Considering those few, but highly relevant examples that underline the close collaboration between the German industry and the government, and considering the more than 10 billion € of "general" SME-support as part of the German economic stimulus program, the first hypothesis seems to yield some validity. Nevertheless, considering the dimension of the level of organization and centralization, the BDI does in fact not exhibit the characteristics of an organization that favors collective action (cf. Alt/Gilligan 2000: 336ff). Since the members of the BDI are so diverse – as it is an umbrella-organization of several industrial lobby groups – the benefits of strong economic stimulus are quite sparse.

However, before jumping to any conclusions, the specific measures aimed at the construction and automotive sector and their sources should be examined as well. Although the effects of the car scrappage

[20] „Wir haben damals mit den Sozialpartnern, mit dem BDI und vielen anderen oft zusammengesessen und haben gemeinsam in dem Geist gehandelt, dass die deutsche Wirtschaft, und insbesondere auch die deutsche Industrie, die Grundlagen unseres Wohlstands legt und dass die in den Unternehmen Beschäftigten das sind, was den Schatz unserer Bundesrepublik Deutschland ausmacht. Es gab eine große Gemeinsamkeit von Sozialpartnern, von BDI, von Politik. So erwuchs aus dem Bangen um Betriebe und Arbeitsplätze die Möglichkeit, in einer schwierigen Zeit eine Brücke zu bauen." (Angela Merkel, Bundesregierung 2013).

[21] E.g. Jürgen Heraus, Dr. Hubertus Erlen, Dr. Michael Rogowski or Nikolaus Knauf. (BMWI 2009a).

program have been assessed quite differently throughout Germany (cf. ZeitOnline 2009; Handelsblatt 2009a), the intended beneficiaries were clearly the German automotive industry and its employees. The measure evidently met a key request of Germany's arguably most influential lobby group, the VDA (cf. Mrusek 2009). In an interview with the FAZ (ibid) that took place about a month before the introduction of the second stimulus program that contained the car scrappage program, the president of the VDA called for an environment allowance for people who replace their old car with a new, more energy efficient one, i.e. a car scrappage program. With revenues that make up of almost 15% of the German GDP (cf. vda.de; IMF 2013) and with all major automotive producers as members of the VDA, the direct implementation of measures following requests by the group's president comes as no surprise. In contrast to the BDI, the composition and structure of the VDA exhibits features that are very favorable to collective action, with a high concentration of powerful corporations (cf. vda.de) that broadly favor the same policies[22] (cf. Alt/Gilligan 2000: 336ff). This also explains the disproportional large amount of measures *specifically* aimed at the automotive industry (6.3 bn €) in comparison to the 10.8 bn € aimed at supporting SME's and the industry in general.
Although investments in infrastructure – whether they relate to transportation, the public education system, hospitals or other public facilities – usually come with positive externalities for the entire society, the most direct beneficiaries are companies assigned with state-financed infrastructure projects (cf. BMVBS 2009; Handelsblatt 2009c; DIW 2009). According to Weßels (2007: 95), the interest-groups of the German construction-industry feature a disproportionately high degree of concentration in comparison with other EU-Member States' groups, which is a good indicator for the effectiveness of the influence this industry group can exert on the German government. Considering that the construction sector only makes up around 4% of the German gross value added (cf. zdb.de), the high concentration seems to be a particularly powerful characteristic. The particular focus of the stimulus program on the construction industry substantiates this argument: Around 7.7 bn € were targeted directly at the construction sector via tax deductibility of handcrafter services, support of CO_2-friendly building modernization and investments in infrastructure (cf. BMWi 2010a). These measures highly correlated with the policies requested by the ZDB when calling for a second stimulus package (cf. ZDB 2009). Considering the even smaller gross value added by the construction sector in Germany compared to the automotive industry, this is remarkable and may be another indicator for the large influence of the construction sector.
Based on these examples, one can infer that there is a strong indication that the first variable (IV_1) yields some explanatory power. However, in order to further validate this conclusion a comparison with the French stimulus program has to be performed.

4.2.2 IV1 France: Limited Influence Due to Nature of Policy Formulation Process, but Possibility for Informal Influence

"For France, open interest consultation offends ideas prevalent since the Revolution that see it as illegitimate" (Schmidt 2006: 35). Given the lack of formal opportunities for (business) interest groups to exert influence, the large share of business supporting measures in France appears particularly remarkable. Another aspect that adds to this peculiarity is the fact that former French governments used to concentrate on customer-focused instead of company-focused measures when installing stimulus packages in the past (cf. Bennhold 2008a). Yet, although interest groups formally have no right to be consulted in

[22] Yet, one should keep in mind that some automobile producers benefitted more from the car scrappage program in Germany than others as the environment allowance of 2,500 € favored small cars over larger ones (cf. Handelsblatt 2009b).

the policy making process (cf. Schmidt 2006: 35) this does not mean that, particularly business, interest groups cannot pressure political decision-makers informally. This "informal" consultation process between the political and business elite is strongly tied to the specifics of the French educational system (cf. Kuper 2013; Economist 2012). Only few positions in the higher administration and on the boards of French CAC 40-companies are occupied by non-grande école or – even more narrowly – non-ENA graduates. Since there are only very few universities that the administration and the top-companies recruit from, the French elite is a very small, homogenous group whose members usually know each other in one way or another (ibid). Thus, no matter what the official policy-making process looks like, it can be assumed that businesses will have some sort of influence on the policy-outcome due to personal relations. This, in contrast, might also explain why business interest groups had more influence on the French stimulus program than labor groups. Whereas the "French political, business and cultural elites have practically fused" (ibid) due to their common alma mater(s) and friends, representatives of labor groups in France are less likely to be from the same circles as business and administrative executives[23].The large share of investments particularly in *public* enterprises supports the argument that business interests are informally transmitted to policy-makers in France (cf. OECD 2009). Among the CEOs of the five major public enterprises that received benefits in 2009 – EDF, GDF Suez, La Poste, SNCF and RATP (cf. Gouvernement.fr 2010) – , there is no single one that did not attend ENA or École de Polytechnique, the two most prestigious universities in France (cf. Kuper 2013). But as I elaborate below, the investment in public enterprises may also reflect the stronger influence of public sector trade-unions in comparison with private sector trade-unions.

To sum up, although French business interest groups have no formal right of consultation in the policy-formulation process, it can be assumed that through informal channels they can still exert significant influence on policy-makers. This may be an explanation for the business-focus of the French stimulus program. Therefore, it is also of less interest how industry-groups are organized which is why this aspect is not further analyzed here[24]. However, this explanation does not capture why former stimulus programs had such a consumer-focus whereas this was more company-oriented. Following the string of arguments above, one could explain the company-focus with Sarkozy's strong ties with the business world (cf. Pinçon/Pinçon-Charlot 2010). Although being the first French president without an ENA-education, Sarkozy is said to have a strong network of connections in the business world (ibid). Along with the relative ineffectiveness of previous consumer-focused stimulus packages (cf. Bennhold 2008a) and with the informal mechanisms of influence-exertions of business interest groups, this is likely to have caused the paradigm-shift in French economic policy. Applying the arguments of Thelen's power-resource theory (cf. Thelen 2012: 148f) to business- instead of to labor-interest groups, one could also argue that with Sarkozy as president, businesses had a strong "political ally" in the Elysée-palace during the crisis and therefore benefitted more than labor-groups.

The findings in this section thus further validate the first hypothesis that the higher the influence of business interest groups in the policy-formulation process, the higher the likelihood of a large-scale and sector-specific economic stimulus package. According to this logic, the overall smaller stimulus program of France might then be explained by the limited influence of business interest groups due to the nature of the French policy-making process.

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[23] Compare CVs of trade-unions' presidents.

[24] One should, however, mention that the largest French employer-association, MEDEF, criticized the French stimulus package for being not sufficient in order to counter the recession (cf. Le Figaro 2009).

4.3 IV_2 Germany: Labor Groups Still Benefit From Corporatist Traditions

Close collaboration between government, labor and industry has long been a key feature of the German economy and one of the most mentioned arguments for why the German model can be classified as a CME (cf. Hall/Soskice 2001: 24ff; Schmidt 2002: 114). Typically, the state acts as a "bystander" in labor-regulations (Schmidt 2002:113) in Germany since labor and businesses have autonomy in collective bargaining (cf. Deutscher Bundestag: Grundgesetz Art.9, Abs.3). Therefore, when designing a stimulus program, the state is more inclined to consult business *and* labor groups to "enable" (Schmidt 2002:113) both parties in order to reach a mutually beneficial agreement. Since the German industry model is based on the employment of a "highly skilled labor force" (Hall/Soskice 2001: 24), firms have an incentive for retaining long-term employment relations with their workforce in order to keep their workers' knowledge within the firm and to benefit from their learning curve. Hence, the short-term labor allowance that was significantly expanded during the crisis (cf. BMWi 2009) can be regarded as a non-purely labor-supporting measure, but one that precisely depicts a situation that is "mutually-beneficial" to labor *and* business (cf. Economist 2013). Here, the state acts in its as by Schmidt described role as an "enabling facilitator" (p.113). In contrast to state-enhanced economies, the state does not directly intervene in labor-relations by imposing regulations on businesses, but supports firms and workers indirectly by providing incentives to cooperate. According to the German Federal Labor Market Authority (cf. Bundesagentur für Arbeit 2009:11f) the demand for the short-time labor allowance increased significantly during the crisis with 700,000 workers receiving short-time allowances in February 2009. The decline of short-time allowance receivers down to 89,400 in October of the same year and the overall stability of the German labor market during the crisis (ibid) underline that the setting of incentives that left autonomy with businesses worked quite well in the cooperative model of Germany. As the Federal Labor Market Authority points out in its report of 2009, businesses have to ask themselves what is more costly for them "making skilled workers redundant or recruiting them after the crisis" (ibid: 15). This calculation certainly highly depends on the prevailing labor-market regulations. In Germany – at least over a certain period of time – the regulation favors retaining workers over lay-offs. Subsequently, one can conclude that the structure of government-labor relations together with the specific emphasis on skilled labor that characterizes the structure of the German industry, has led to an extensive labor-specific share within the German stimulus program.

Apart from a general analysis of the state-labor relations, the organization and concentration of trade-unions in Germany shall be examined as well as the demands of the most relevant labor groups in Germany. According to Weßels (2007: 97f), the level of organizational concentration of labor groups and the centralization of the bargaining process vary with the type of capitalism. He shows empirically that in CMEs like Germany those two dimensions correlate positively and are quite high. This leads to an exchange of interests and ideas rather than an imposition of rules by the state. Although many scientists claim that the power of large, industry-encompassing trade-unions is declining in Germany with small, industry-specific trade-unions becoming more effective, e.g. the train drivers' trade-union, and the large ones losing more and more members (cf. Eurofound 2011), the German trade-unions can still be regarded as being among the most powerful and best organized in Europe (cf. Weßels 2007: 97). The confederation of German Trade-Unions (DGB) comprises trade-unions from all major industries (cf. DGB.de) thereby carrying significant weight in government and wage negotiations. Though not directly involved in collective bargaining, DGB represents the interests of its members vis-à-vis politicians and the general public (cf. DGB.de).

Examining the role of the DGB in the context of designing stimulus programs, it is quite remarkable that it claims that the trade-union for the metal industry (IG Metall, member of the DGB) considers itself the inventor of the German car scrappage program (cf. DGB 2009: 6). At the same time, this underlines once again that the German government primarily adopted measures that were mutually beneficial – for labor *and* for businesses. Further, the DGB holds to itself to being the first interest group in Europe that demanded a governmental economic stimulus program at all (ibid: 8). The document by the DGB also underlines that not only business representatives were part of governmental expert groups, but also trade-union representatives who participated as experts in public hearings concerning the bank rescue package in the Bundestag (ibid). When comparing demands by business groups with demands from the DGB, it seems as if the German government particularly implemented those measures that had the highest subset of interests, i.e. the car scrappage scheme, the short-time labor allowance, investments in infrastructure, etc. This reflects to what extent corporatist structures still have significant influence on the policy-output in Germany. From that perspective, it is not surprising that the German government employed much less tax cuts for companies as a measure to stimulate the economy as the French government did intensely (i.e. 32% of the entire stimulus, cf. Gouvernement.fr 2010), since business tax cuts are primarily designed to help businesses, but have little (in)direct impact on workers. Hence, the findings in this section seem to confirm the validity of the second hypothesis (H_2).

4.4 IV_2 France: High Levels of Fragmentation in Labor-Relations Leaves Labor Groups with Little or no Influence

As mentioned above, given the high unemployment rate in France compared to the one in Germany at the time (cf. Bundesagentur für Arbeit 2009:14), the small share of labor support seems particularly puzzling. It appears as if the cause of this "economic mismatch" might again be found in the institutional configuration of the French economy. Therefore an analysis of the French government-labor relations should shed some light on this issue.

Apart from the comparative disadvantage labor-groups face in terms of influence exertion due to the nature of the French policy-making process and the structure of the educational system, the French labor movement is considered one of the most fragmented and weakest in the EU (cf. Weßels 2007: 98; Bennhold 2008b). This is also reflected in the large number of "general" trade-unions that exist in France – in contrast to the strong, sector-specific unions in Germany that are organized under the umbrella-organization of the DGB (cf. Thelen 2012: 144; DGB.de) – and the paradoxically low participation rates (cf. Eurofound 2013). Weßels argues that due to those heavily fragmented labor-relations arrangements, a process of political exchange, "that is constituted by inclusion, exclusion and reciprocal reference"[25] (Weßels 2007: 98), does not take place in France. It seems as if the weakness of French labor-unions even increased throughout the crisis as their supposedly most powerful bargaining instrument – "faire la grève" (to strike) – lost some of its force vis-à-vis employers ("Striking is hardly a threat when management doesn't want you to work") (cf. Bennhold 2008b).

When comparing the structure of the French trade-union landscape with its German counterpart, the structural weakness of French unions is immediately visible. French unions organize less than 10% of all employees (cf. Ebbinghaus 2002:477; Bennhold 2008b), which makes them the "least organized in Europe" (ibid.). Moreover, unions are deeply divided in two camps with the more moderate unions that seek agreement with employers on a reform of the industrial relations on the one hand, and more radical unions that oppose reform on the other (ibid). This organizational weakness can be translated into a lower weight of workers' voice in the political decision-making process.

[25] Quotation translated by the author, original quotation in German.

The only sector that is well-organized in terms of trade-unions' power is the public sector; membership here is three times larger than in the private sector (cf. Bennhold 2008b). Considering the large share of measures supporting public enterprises within the French stimulus program (cf. Gouvernement.fr 2010), the stronger organization of public sector trade unions seems to be reflected in stronger influence in the policy-formulation process.

To summarize, French *private* sector unions seem to face three major disadvantages vis-à-vis their German counterparts. First, they lack the right to be formally involved in the policy-formulation process. Secondly, they feature structural and organizational weaknesses. Thirdly, they do not have the opportunity to exert influence on the government informally as French business groups supposedly have due to the educational system in France.

Thus, the findings in this section provide even more evidence that the above formulated hypothesis can be supported: the more an institutional framework allows labor-groups' influence in the policy-formulation process, the more employee-focused and socially-oriented the stimulus program (and vice versa).

4.5 IV_3: Comparison Germany and France – More Commonalities than Differences in the Financial Structures

In order to determine to what extent the financial structure of the two selected economies had an influence on the composition and magnitude of the stimulus programs, it seems sensible to compare the two cases directly.

In Germany, the industry-finance relations have traditionally been considered "close" (Schmidt 2002: 114) and the financial structure of the German economy has been characterized by a strong dependence on bank financing (ibid) – also called the *Hausbanken* system (ibid: 122). This preference for bank financing over capital markets has given banks significant control over German companies and it is said that this has caused firms to take a more long-term view on business activities (ibid; Deutsche Bundesbank 2012: 23). When the financial crisis hit Europe, it directly caused a significant tightening of credit standards for large enterprises and SMEs according to the ECB (ECB 2008: 9ff). Also firms reported that their access to money markets and debt securities markets was hampered due the financial market turmoil (ibid). Against the backdrop of the described institutional setting, one would assume that a highly bank dependent economy would be hit much more severely by a banking crisis in contrast to more capital market oriented economies as the credit crunch would lead to liquidity problems for the local firms. Following this string of arguments, it seems logical that the German stimulus program contained more direct financial support for businesses than the French program. As mentioned in footnote 17, although only partly included in the official stimulus program, the "Wirtschaftsfond Deutschland" (cf. BMWi 2010b) was comprised of 11.5 bn € of direct financial aid and guarantees – a substantial amount compared to the less than 5 bn € of financial support from the French government (cf. Gouvernement.fr 2010). French firms, on the other hand, are usually described as being much more capital market oriented than their German counterparts (cf. Schmidt 2003: 537f). In other words, the French stimulus program was smaller and contained less direct financial aid for businesses as the need for such aid was arguably lower.

However, when trying to track this hypothesis empirically, one does not get a clear picture that supports this claim. According to the Bank of International Settlements (BIS), total credit to non-financial institutions has not been substantially larger – relative to GDP – in Germany than in France during the years of the crisis (cf. BIS 2013).

	Average credit to non-financial private sector Q1-4 2008 (in bn €)	Average credit to non-financial private sector Q1-4 2009 (in bn €)	GDP 2008 (in bn €)	GDP 2009 (in bn €)	Average credit to non-financial private sector in % of GDP (2008)	Average credit to non-financial private sector in % of GDP (2009)
Germany	2,636	2,710	2,405	2,283	110	119
France	1,939	1,949	1,799	1,743	108	112

Table 3: Credit to Non-Financial Private Sector in Germany and France Relative to GDP in 2008/09 (Source: own compilation based on BIS 2013 and IMF 2013)

Also the German Federal Reserve (Deutsche Bundesbank 2012: 23f) observed that the bank dependence in Germany has been significantly reduced in recent years. Instead, large firms rely much more on internal financing nowadays (ibid). When additionally comparing the interest rates for non-financial institutions in the two countries at that time, which did not develop significantly differently during the crisis (cf. ECB 2009b)[26], one would have to reason that French companies must have been equally affected by the credit crunch. Another argument would be that Germany's *Mittelstand* has more SMEs than France and – as "SMEs largely rely on banks when selecting sources of external financing" (ECB 2009a: 4) – the German economy would be much more dependent on banks than on capital markets. However, the claim that Germany has more SMEs than France due to its strong *Mittelstand* is not reflected in the empirical data (cf. EC 2012). Hence, even though market capitalization is still significantly higher in France than in Germany (cf. World Bank 2007-2009)[27;28], the difference between Germany as a managed type of capitalism and France as a state-enhanced type does not seem that significant. This can also be seen in Schmidt's analysis (cf. Schmidt 2002; Schmidt 2003) in which she primarily contrasts France and Germany with Britain. In other words, the financial structure is certainly a distinguishing element when distinguishing LMEs from CMEs, but when it comes to market capitalism versus state-enhanced capitalism this aspect seems to have only limited viability in explaining differential policy outcomes.
Against the backdrop of the seemingly similar financial structure of Germany and France, the large differences in the German and French stimulus programs with regard to direct financial support appear even more puzzling. According to the above presented data, the need for financial aid must have been as pressing in France as in Germany. Hence, the third variable can be dismissed as an explanatory factor in the analysis of the stimulus programs. A comparison of financial structure seems to yield more insights when comparing the bank rescue packages (cf. Weber/Schmitz 2011) or when comparing LMEs with CMEs.

4.6 Summary of Results – Validity of Independent Variables

The analysis of the two stimulus programs of Germany and France showed that the differences in magnitude cannot be explained without an in-depth analysis of the different components of the programs.

[26] Although interest rates in France dropped by a larger amount than in Germany, the data indicates no significant difference. In both cases the loose monetary-policy of the ECB had a significant effect on interest rates (cf. ECB 2009b).
[27] According to World Bank data the average market capitalization of listed companies in the years 2008-2009 was 64 % of GDP in France and 35 % of GDP in Germany (cf. World Bank 2007-2009).
[28] Market capitalization is a proxy used by Vivien Schmidt to determine the "differential impact of financial markets" (Schmidt 2002: 119ff).

With the help of an analysis of the three independent variables the sources of the variance in the stimulus programs of France and Germany have become visible. There are three key findings that stand out in the assessment of the stimulus programs:

1 In Germany, corporatist traditions still heavily influence policy-outcomes.
2 In France, the institutional setting limits the power of labor-groups profoundly and the educational system seems to disproportionately favor business-interest groups in the exertion of influence in policy-making processes.
3 Finance-industry relations are less useful in distinguishing managed economies from state-enhanced economies.

Regarding the relation between business and state as a cause for larger and more business-oriented stimulus packages, I have presented evidence that supports the validity of this hypothesis (H_1). In terms of the size of the stimulus package, it comes as no surprise that the German stimulus package was more comprehensive and larger than the French one given the nature of the German policy-formulation process and the intense and publicly known collaboration between government and industry in managing the crisis. In terms of composition, both cases have shown that interest group concentration and structure – as in the case of Germany – as well as informal ties – as in the case of France – do matter significantly to gain influence. But the two cases also underline that the way influence is exerted on governments differs substantially from one system to another and is inherently linked to the institutional setting. The French system thereby clearly seems to favor business-groups over labor-groups. However, this link is not obvious at first sight, as the analysis above underlines that the nature of the polity in France leaves formally no room for any interest-group influence. It is rather the elite educational system that disproportionately favors the influence of business-groups and – naturally – makes the policy formulation process less transparent. Moreover, although Schmidt noted that by 2002 the French state had become less interventionist and "dirigiste" than it used to be (cf. Schmidt 2002: 148), the policy-formulation process still continues to be a "one-way street" in contrast to the process in Germany that is characterized by exchange and inclusion of different groups (cf. Bundesregierung 2013; Weßels 2007).

In contrast, although many times pronounced dead (e.g. Lang/Schneider 2007: 221ff), the corporatist traditions in Germany have revived during the crisis. The short-time labor allowance is a very unique and precise example for the collaborative cooperation between state, labor and businesses (cf. Economist 2013: 12) that took place during the crisis. This example also implies that measures beneficial to both – business *and* labor – were most effective in mitigating the crisis (ibid). Labor and business lobby groups seem to have been equally involved. The major lobby groups from both camps took an active role in presenting possible measures to the German government to fight the recession. The German government, in turn, has involved both groups equally as for example the composition of the steering counsel shows ("Lenkungssausschuss Unternehmensfinanzierung", BMWi 2009). In other words, the by some comparativist scholars perceived "erosion of the arrangements that distinguished the coordinated political economies in the past" (Thelen 2012: 138) cannot be validated in the case of Germany. Instead the "state characteristics" of the German state as an "enabling facilitator" (Schmidt 2002: 113) as described by Schmidt seem to still hold true.

In France in contrast, labor-groups face three major obstacles – that are supposedly all somewhat interdependent – when trying to influence policy outcomes. First of all, they do not have any formal consultation rights in the policy-formulation process (cf. Schmidt 2006:34f). Secondly, they lack the structural and organizational centralization and concentration that German trade-unions exhibit (cf. Weßels 2007: 97). And thirdly, they lack the informal ties with the French political elite that yield business-

groups significant influence (cf. Kuper 2013). Thus, considering those three disadvantages French labor groups face and the fact that the French stimulus program contained so little labor supporting measures are strong indicators for validity of Hypothesis 2. The fact that German labor-groups were involved in consulting the German government and that the German stimulus program was characterized by a large share of labor supporting measures further justifies this conclusion.
As mentioned above, the financial structure of an economy might serve well to distinguish LMEs from CMEs (cf. Hall/Soskice 2001: 16/22f)[29], but when trying to assess the causes of differing policy-outcomes in managed economies and state-enhanced economies the financial structure does not – at least in the given case comparison – yield any clear findings. Lending to non-financial private sector companies has not been significantly higher in Germany than in France in the respective time period. The implication that French firms needed less direct financial support from their government cannot be confirmed. Therefore, the third hypothesis (H_3) has to be rejected in this context. Nevertheless, one should keep in mind that the VoC-framework by Hall and Soskice (2001: 16/22) would normally state that firms in CMEs are less affected (financially) by external shocks, as they do not have the pressure by capital markets to "sustain their profitability" (ibid). However, as indicated above, this argument does not take into account that banks may face a lack of liquidity and therefore tighten lending conditions, as it was the case during the crisis (cf. ECB 2008). Even if I had compared a LME with a CME, the financial structure might have lacked explanatory power as the effects of banks as "patient" capital-providers might have countered the effects of the credit crunch.

4.7 Critique of VoC-Approach and Limitations

By now, one should have realized that Vivien Schmidt's framework of VoC was the most suitable – or even only suitable – choice given the fact that this is the only (relevant) VoC-framework that specifically looks at the role of the government in an economy and therefore also allows for a third type of capitalism: State-led/-enhanced capitalism (cf. Schmidt 2002). Putting the firm at the center of the analysis appears to me rather problematic when analyzing the sources of policy-outcomes. Hence I would reject to purely rely on Hall and Soskice's (2001) or Amable's (2003) approach to VoC. Against the backdrop of assessing governmental decisions it is thus imperative and justified to use Schmidt's framework, even though it is not what is commonly understood as VoC.
Although Amable's works exhibit a fair amount of quantitative empirical analysis, the general critique one can express concerning the most popular approach of Hall and Soskice (2001), but also concerning Schmidt (2002), is the rather thin quantitative analysis that makes the framework a somewhat heuristic one. This, of course, is to some extent also reflected in this research. Even though I presented a rich body of empirical data, particularly the influence of specific societal groups on the policy-formulation process is hard to track empirically. Specifically, the above mentioned "informal ties" in France are nearly impossible to prove from the outside. But the fact that the VoC-framework is somewhat heuristic is clearly tied to its nature. Whenever scholars used a more quantitative approach in the context of trying to cluster countries according to certain institutional characteristics, they ended up with not two or three but five (cf. Amable 2003) or even more types of capitalism (cf. Alquist/Breunig 2009). The clustering of economies into manageable, easily distinguishable categories naturally brings some sort of simplification and thus heuristics with it.

[29] or a market type of capitalism from a managed type of capitalism (cf. Schmidt 2002: 113ff/119ff).

Another aspect that should be kept in mind when using the VoC-approach as a framework to explain policy outcomes is that it is difficult to pinpoint to one specific aspect – such as government-industry relations – as having more explanatory power than another. It is possible to conclude that in the case of comparing a managed economy with a state-enhanced economy the financial structure does not serve well as a differentiating factor. But apart from that we can only conclude that the *overall* institutional configuration that has evolved historically (cf. Thelen 2012: 139) – be it that interest groups are consulted in the policy-formulation process or that the educational system is designed to create a small, homogenous elite – has a significant impact on policy-outcomes.
Apart from the heuristic nature of the VoC-framework, the framework does not seem particularly flexible with respect to account for political dynamics. As mentioned above, Germany was in a very particular position politically in 2008/09. On the one hand, the government was made up of a grand coalition of the two major parties, CDU and SPD, which implied that business- as well as labor-groups had "political allies" (Thelen 2012:148) in power. This setting supposedly reinforced the corporatist nature of German industrial relations at that time. On the other hand, Germany's politicians faced a general election in September 2009. The stimulus program was supposedly a good opportunity to give early campaign "goodies" to certain voting blocs. Both ruling parties had strong interest in having particular groups on their side and thus may have made concessions in the design of the stimulus program. France, in contrast, was governed by the conservative UMP under President Sarkozy. The next presidential elections would not come up until 2012. Therefore the political constellation in France was entirely different than the one in Germany at that time. This particular difference should thus also be kept in mind when evaluating the outcomes of the stimulus programs.

5 Conclusion: Institutional Configuration Matters!

When evaluating the results of this research, of course, one has to take the limited frame of this paper into account. Therefore the results should not be taken as given, but be regarded as an impulse to further engage in comparative institutionalist policy-research on the topic of economic stimulus programs. The starting point of this paper was the puzzle that countries that had seemingly similar economic preconditions had designed almost entirely different responses to the crisis. My hypothesis that a purely economic explanatory approach cannot help solving this issue seems to be validated. The VoC-approach, even though not used in its original, firm-centered form (cf. Hall/Soskice 2001), has provided a useful framework that served well to analyze and explain this phenomenon. Although the analysis showed that when comparing a managed type of capitalism with a state-enhanced type the financial structure does not work well as a distinguishing element, the overall results of the research underline the validity of the framework. Though not all elements have been included in the analysis, the general proposition that the institutional configuration of an economy had significant influence on the policy-outcomes in the frame of the financial and economic crisis in 2008/09 has been supported. Institutional characteristics that are, among others, reflected in the relations between government and businesses as well as government and labor groups have a significant impact on the design and composition of certain policies. In other words, even in the light of intensified integration on a European level, a convergence of institutional settings remains a myth. Even though countries increasingly face the same kind of issues, "because of existing domestic institutional settings, political dynamics [will continue to] differ across countries" (Thatcher 2004: 754) and therefore the reaction to external shocks such as the global financial and economic crisis in 2008/09 differed as well. Governments do not design their policies in an open space free from institutional dependencies and pressures from societal interest groups, but in a highly country-specific setting that, of course, matters when policies are formulated.

6 Annex

	2009 Mrd. Euro	2010 Mrd. Euro	Total Mrd. Euro
Entlastungspaket vom 7. Oktober 2008			
Erhöhung Kindergeld- und Kinderfreibetrag	2,3	2,2	
Senkung des Beitragssatzes zur Arbeitslosenversicherung auf 2,8%	4	4	
Bessere Absetzbarkeit der Beiträge zur Kranken- und Pflegeversicherung	-	8,4	
Summe I	**6**	**15**	**21**
Konjunkturpaket I, November 2008			
Beschleunigte Umsetzung von Verkehrsinvestitionen	1	1	
Degressive Abschreibungen Anlagevermögen/Sonderabschreibung KMU	2,2	4,7	
Kfz-Steuerbefreiung Neuwagen	0,4	0,1	
Steuerliche Absetzbarkeit von Handwerkerleistungen	-	1	
Programm-Aufstockungen (CO2-Gebäudesanierung, KfW-Programm, Verbesserung der regionalen Wirtschaftsstruktur)	0,3	0,4	
Verlängerung Bezugsdauer Kurzarbeitergeld	-	-	
Summe II	**4**	**7**	**11**
Konjunkturpaket II, Januar 2009			
Bundesinvestitionen (Verkehr/Bau/Ausrüstung)	2	2	
Investitionen von Bund und Ländern im Rahmen des Zukunftsinvestitionsgesetzes	6,7	6,7	
Steuertarifsenkung und Kinderbonus	4,9	5,6	
Beitragssatzsenkung zur gesetzlichen Krankenversicherung auf 14,9%	3,2	6,3	
Beschäftigungssicherung	3,3	2,6	
Erhöhung der Kinderregelleistung im SGB II von 60 auf 70 %	0,2	0,3	
Kfz-Steuerbefreiung und Umweltprämie	5	0,2	
Zentrales Innovationsprogramm Mittelstand (ZIM)	0,4	0,5	
Mobilitätsforschung (Antriebstechnik)	0,2	0,3	
Aufstockung Kredit- und Bürgschaftsprogramm (Wirtschaftsfonds D.)	0,3	0,7	
Summe III	**26**	**25**	**51**
Wiedereinführung der vollen Pendlerpauschale	5,4	3,1	8,5
Befristete Entlastungen Unternehmensbesteuerung	0,8	0,9	2
Agrardiesel-Steuererleichterungen befristet	-	-	0,6
Wachstumsbeschleunigungsgesetz, November 2009			
Erhöhung Kindergeld- und Kinderfreibetrag	-	4,3	
Korrekturen Verlustvortrag/Zinsschranke/Abschreibungen	-	0,7	
Korrektur Erbschaftsteuer/Biokraftstoffförderung	-	0,3	
Umsatzsteuersatz-Senkung Hotelgewerbe	-	0,8	
Summe Wachstumsbeschleunigungsgesetz	**-**	**6**	**6**
Gesamtsumme	**45**	**57**	**100**

Table 4: "Konjunktur- und wachstumspolitische Maßnahmen der Bundesregierung in der Wirtschafts- und Finanzkrise" (BMWi 2010a)

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