The Politics of the German Pension-Finance Nexus

Nils Röper, St Peter's College

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Abstract

Over the last decades pension systems across the developed world have 'financialized.' This shift has meant that an increasing share of old age income is dependent on capital markets and managed by private financial service providers. This paper-based thesis revisits the central case of the (non)financialization of German pensions during the 1980s and 1990s. It advances an ideational institutionalist perspective on the pension-finance nexus, arguing that understanding these changes requires attention to ideas and discourse alongside traditional material and institutional incentives. The analyses in the three papers focus on the preferences and strategies pursued by segments of capital, with a particular emphasis on the three main factions of finance: banks, insurers and investment companies. The first paper is concerned with the genesis of German financial liberalization. It finds that the marginal build-up of finance capitalism was followed by a rapidly emerging tipping point of dominance that disparately affected sub-spheres of the financial system. The second paper examines the political battle over pension funds and shows that certain segments of both finance and business were powerful antagonists of pension financialization. The third paper probes into the origins of German policy ideas, including pension funds. It reveals that foreign pension ideas did not have a substantive impact on the crafting of pension policy innovations, but played a crucial role as framing devices. The analyses apply process tracing techniques and draw on a wide range of primary and secondary sources, including parliamentary debates, newspaper archives, TV recordings and expert interviews. Collectively, the three papers show that actors at the pension-finance nexus undergo complex preference formations, have diverging interests and pursue these with adaptive political strategies. The theoretical perspectives developed and evidence uncovered contribute to efforts to disentangle how financialization may (or may not) make its way through different pockets of political economies.

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1. Introduction

In part because I studied the liberalization of the German financial system before immersing myself more deeply in the welfare state literature, I was surprised to find that financialization barely features in analyses of pension politics. Financialization refers to processes where "[f]inance-oriented principles [...] encroach into non-market spheres" (Ebbinghaus 2019, 526). Pension systems across Europe and beyond have substantially 'financialized' (e.g. Palier 2010; Ebbinghaus 2011) and 'pension fund capitalism' (Clark 2000) is almost ubiquitously on the rise. Yet, the political linkages between financial liberalization and pension system change are only beginning to be problematized in the comparative welfare state literature (e.g. Naczyk 2013; van der Zwan 2017; Hassel et. al. 2019). Despite rich bodies of literature on (German) financial (e.g. Lütz 2002; Beyer and Höpner 2003; Deeg 2005) and pension system change (e.g. Lamping and Rüb 2004; Hinrichs 2005; Hegelich 2006) during the 1980s and 1990s, limited effort has been made to bridge these fields of research. The thesis seeks to contribute to the emerging literature that probes into financial and pension politics as well as their interplay by revisiting the German pension-finance nexus.

Slower rates in productivity and economic growth set the stage for pressures toward welfare state retrenchment[1] across the developed world in an era of "permanent austerity" (Pierson 2001). Given the shift toward deindustrialization and the concomitant growth of the service sector, labor markets increasingly produced non-standard, atypical working lives, including more types of low-paying employment (Häusermann 2010, 2). These changes clashed with the premises of the German 'Bismarckian'[2] welfare state, which is contingent on full, uninterrupted ('standard') male employment; making it particularly ill equipped to cope with economic slowdowns and unemployment (Bleses and Seeleib-Kaiser 2004, 18). In addition, the country began to envisage a massive demographic problem in the late 1970s. Besides increasing life expectancy, fertility rates much below replacement—in fact the lowest in the world for most of the 1970s and 1980s—made policymakers and academics increasingly perceive demographic ageing as a threat to the pension system (Hockerts 2011, 298ff.).

[1] Following Ross (2000, 157-158), I consider pension privatization and financialization reforms as 'retrenchment' measures only to the extent that they involve curtailing benefits and eligibility; otherwise 'restructuring' is a more appropriate characterization (see also Hacker 2004).

[2] Predominantly state provided on a PAYG basis, high replacement rates, equivalency and status maintenance make for the (non-)distributive guiding principles of this wage-centred social insurance (Esping-Andersen 1990; Seeleib-Kaiser 2002). 'Bismarckian' is a commonly used label to describe the German post 1957 pension arrangement. See Hegelich (2006, 59) for a critical discussion of how Bismarckian this system actually was.

After two decades of reforms that largely stuck to 'Bismarckian' principles,[3] the 2001 Pension Reform Act (PRA2001) introduced tax-subsidized schemes for occupational and private pensions in what most observers agree to signify a paradigm shift toward multi-pillarization (e.g. Schmähl 2003; Lamping and Rüb 2004; Bönker 2005).[4] As the first major piece of 'neoliberal' legislation under the Schröder government, the PRA2001 arguably served as the icebreaker for the ensuing Agenda 2010 reforms, which to this day remain one of the main reference points in EU-wide debates about structural reforms. The 1957 pension reform instigated the institutionalization of the one pillar social insurance paradigm throughout the ensuing 'golden years,' with public pensions alone considered to be responsible for ensuring the achieved living standard into old age (Nullmeier and Rüb 1993, 93ff.). Whereas even in the mid-1990s "a fundamental rethinking of social policy seem[ed] a remote possibility" (Pierson 1996, 170), by 1998 an overwhelming consensus in favor of multi-pillarization had emerged (Leifeld 2013). Within a few years, the requisite policy ideas had made it from the margins of the debate to being perceived as an imperative with no alternative (Marschallek 2004). Breaking with the traditional one-pillar social insurance paradigm, the state was no longer the sole guarantor of the achieved living standard in old age. "[T]he German welfare state introduces not only a new private pension pillar which will be subsidised by the state, but a new conception of pension itself" (Lamping and Rüb 2004, 170). Occupational and private pensions became explicit, integral elements of old age provision and thus pension politics (Berner 2009) in a shift toward the 'multi-pillar pension paradigm' (Bönker 2005).

A technocratic perspective may lead one to consider this pension path departure as an inevitable adaptation to pressures stemming from ageing or unemployment. Although material factors undeniably brought the system's logic to its limits, such a perspective of functional inevitability has considerable explanatory limitations. For example, a threshold of what levels of government debt or dependency ratio[5] force governments into action can hardly be identified. Germany's fiscal and demographic problems during the 1990s were more severe than those of various other European countries, yet fundamental pension reforms occurred at a later stage (Immergut and Anderson 2006, 16).[6] In addition, partial pension privatization as a solution to the funding problems of the German PAYG state pillar

[3] For overviews, see Hinrichs (2005) and Hegelich (2006, ch. 3).
[4] Other authors point to the continuing predominance of public PAYG funding of the system (e.g. Kohl 2001; Seeleib-Kaiser 2003) or the path dependent characteristics of the new private schemes (Vitols 2003).
[5] That is the ratio of those who are in the labor force and those who are not.
[6] As Myles and Pierson (2001, 308) submit: "[I]t is difficult to explain either the timing, the extent, or type of reform as simple linear extrapolations of these pressures. A striking feature of reform discussion is that the perception of crisis seems unrelated either to the current or projected levels of expenditure on old age benefits."

was by no means 'objective' in the absence of alternatives (Marschallek 2004).[7] Even if one accepts that structural pressures made some form of partial pension privatization inevitable, it is key to appreciate that among economically liberal advocates the preferred design of such multi-pillarization was by no means undisputed (Béland 2006, 567; Carstensen and Röper forthcoming). Feeding into this, the debate about PAYG versus prefunding as the superior mode of financing pensions is highly complex with a priori equally legitimate approaches.[8] Schludi's (2005) comparative study of Bismarckian pension systems accordingly finds "substantial variations around the trend line" (219) suggesting that "pension politics goes beyond mere functional adaptation to external pressures" (222). This lends credence to Majone's (1989, 24) contention: "Objective conditions are seldom so compelling and so unambiguous that they set the policy agenda or dictate the appropriate conceptualisation."

If not a derivative of structural factors, what may explain the timing and content of the German pension shift? A prominent and powerful approach to explain national trajectories of change is institutionalism. Out of the wide field of institutionalism especially historical institutionalists (HI) have studied sources of stability in the (German) welfare state (Béland 2006, 560). Pension systems are considered a prime example of a path dependent institutional domain (Pierson 1994; Esping-Andersen 1999). The legacy of long-term, contractual pension commitments, particularly in PAYG systems, constrains policy makers' room for maneuver. Tremendous set-up costs and the 'double-payment problem' during the shift to a prefunded system make an exit from PAYG funding unlikely (Myles and Pierson 2001). The postwar German pension arrangement constitutes the almost ideal typical 'conservative' pension system (Esping-Andersen 1990). An empirical lynchpin of HI theory, this polity replete with veto players (Tsebelis 2002) and veto points (Immergut 1990) amounts to a "joint-decision trap" (Scharpf 1988) in one of the stickiest of "deep equilibria" (Pierson 2004, 157), which was considered impervious to substantive change.[9] The

[7] The sheer number of reform alternatives discussed—Leifeld (2013, 178) counts a whopping 68 distinct reform proposals debated in the eight years running up to the 2001 reform—sheds doubt on the inevitability of the reform in question. Policy solutions beyond multi-pillarization pertained to, inter alia, more funding through the general tax budget, increasing the level of contributions, immigration, gender equality, broadening the contribution base and removing noninsurance entitlements.

[8] Many contend that the fundamentally distinct logics underlying both extreme forms of funding prohibit any simplistic comparison of vulnerability vis-à-vis demographic changes or efficiency in terms of rates of return (Engelen 2003; Burtless 2012; for the German case, see Krupp 1997; Schmähl 2009, ch. 11-13; Salthammer 2003; Ohsmann and Stolz 2004; Blank et al. 2017), while others submit that from a purely economic perspective fully funded and PAYG schemes are indistinguishable in terms of their vulnerability toward fluctuations in economic growth and demographics (Orszag and Stiglitz 1999; Barr 2002).

[9] The limited state power resulting from a myriad of checks and balances—corporatism, bicameralism, federalism, multiparty system—that merely allow for incremental alterations has even been referred to as 'semisovereign' (Katzenstein 1987).

PRA2001 therefore took many institutionalist scholars by surprise, as they considered the German pension system to be "the least likely candidate for reform" (Stiller 2010, 15).[10] HI struggles to explain change in general and the *type* of pension reform we see, which many have attributed to its structuralist ontological underpinnings (see chapter 2 for an in-depth discussion).

To overcome what has been referred to as the 'agency problem' in (historical) institutionalist theory, many scholars have begun to reconsider the role of ideas and discourse in what has evolved into a strand of institutionalism in its own right. I will subsume under ideational institutionalism (II) (Hay 2001), what has been referred to as discursive institutionalism (Schmidt 2008), strategic constructivism (Jakbo 2006), the policy paradigm approach (Hall 1993) and constructivist institutionalism (Hay 2008). If alternative reform options were politically and functionally viable during the period of heightened uncertainty that was the German 'pension crisis' of the mid-1990s, politics means fighting over the contours of what is considered conventional wisdom or 'common knowledge' (Culpepper 2008). As the doyen historian of the German welfare state submits: "the demographic challenge has led to a complex and controversial debate with much room for interest-based interpretation. The question of how this discursive space is occupied, which interpretation gains hegemonic influence, becomes all the more instructive" (Hockerts 2011, 323-324).

Given this political maneuvering room in designing pension system change, II approaches appear particularly promising and numerous scholars have sought to make sense of the German pension case in this vein (e.g. Hering 2004; Lamping and Rüb 2004; Marschallek 2004; Leisering 2004; Bönker 2005; Hinrichs 2005; Köppe et al. 2007; Seeleib-Kaiser 2008; 2016; Brettschneider 2009; Ruser 2011; Leifeld 2013). While important correctives to purely institutionalist and functionalist approaches, these contributions struggle to answer how and where new ideas originated and how they gained political prominence vis-à-vis the reigning paradigm. This is reflective of Hall's (1993) policy paradigm framework, which constitutes the conceptual core of many of these works. The framework considers paradigms as incommensurable—that is internally homogenous and mutually exclusive—and is premised on exogenous shocks to induce substantive change, which hampers efforts to accommodate (marginal) endogenous change dynamics (for an extensive discussion, see chapter 2).

[10] This is perhaps best illustrated by prominent studies doubting the possibility of such a fundamental reform in Germany published around the time of its legislation (Nullmeier 1997, 268; Hinrichs 1998, 36; Myles and Pierson 2001; Schmidt 2002a, 183).

In addition to conceptual rigidities in ideational frameworks, it is the wider trend of specialization in social inquiry that hinders efforts to grasp origins of change. Specialization often leads to segmentation, so that scholars tend to solely analyze single policy fields "in sectoral isolation" (Streeck 2009, 16). One corollary is that the literature is still ill equipped to understand "how the process of institutional change varies across issue domains or spheres of the polity" (Hall 2010, 219; for recent advancements explaining and contrasting continuity in labor market regulation with change in monetary and fiscal policy, see Ban 2016; Grabel 2017).[11] Studies of German pension politics pay scant attention to changes the adjacent domain of finance. In what is a striking lacuna, the interrelationship between the institutional configurations, dominant paradigms and policymaking in the fields of finance and pensions plays but a marginal role in the otherwise extensive research into the political dynamics that propelled German partial pension privatization forward (for exceptions, see Wehlau 2009; Oelschläger 2009; Hockerts 2011; Hassel and Naczyk 2018). Hinrichs (2005, 64) writes: "Although one should always be cautious towards conspiracy theories, one can hardly avoid conceding that the financial services industry [...] has successfully contributed to the destruction of confidence in the public pension scheme and, moreover, exerted substantial influence on the reform discourse." Yet, most authors but vaguely hint at the material interest of the financial services industry in pension privatization and the general economization of social policy debates.[12]

The neglect of financial liberalization's explanatory power for pension system change is surprising. Not only did the German political economy experience a shift from an almost ideal typical bank-based and stakeholder-oriented financial system to what one may refer to as 'coordinated finance capitalism' throughout the 1980s and 1990s (Beyer and Höpner 2003); but the notion that pension and financial systems are intrinsically linked is hardly news, especially to Varieties of Capitalism (VoC) scholars. VoC's core insight is that institutional domains functionally cohere into complementary clusters (Hall and Soskice

[11] This lacuna extends to policy studies. Bönker (2008) submits that even though policy analyses such as Héritier (1993) point to the need of taking the sectoral interdependencies within polities into account, this has yet to be conceptually developed. The dominant *Theories of the Policy Process* (Sabatier 1999) are largely built on the premise of sectoralization of policymaking as "intramural activity" (Heclo 1978, 98) in differentiated policy communities or networks. This analytical focus on subgovernments, policy subsystems and policy domains results in in the conceptual blind spot that are linkages between policy fields (Bönker 2008, 316; Carstensen and Röper forthcoming).

[12] In their overview of pension system change in Western Europe, Immergut and Anderson (2006, 15) suggest that "much of the debate about pensions is probably connected to a larger shift towards economic integration and financial deregulation." This can be taken to encapsulate the scant attention paid to the financial sphere in the comparative welfare state literature at large. Schmähl (2002, 20) concedes: "It is not surprising that the insurance industry, banks, investment funds highly favoured such reform strategies. [...] The interaction of different actors and the interests involved are a topic that still needs a closer analysis in order to explain the political process."

2001). In 'coordinated' political economies like Germany, stakeholder- and bank-dominated financial systems tend to cluster with predominantly public and often PAYG pension regimes, whilst we find shareholder- and market-dominated financial systems grouped with more private and prefunded old age provision in 'liberal' ones (Jackson and Vitols 2001; Manow 2001). This 'welfare-finance nexus' (Estévez-Abe 2001) points to an important link between financial liberalization and pension privatization: Modern capital markets and liberal corporate governance regimes are a prerequisite for pension funds to operate, which in turn deepen these markets and demand transparent corporate practices (Lazonick and O'Sullivan 2000; Clark and Hebb 2004). VoC illuminates this static functional link between pension and financial systems, but it has little to say about the interplaying dynamics that may bring about change (see chapter 2 for a more extensive discussion).

In light of the potent relationship between finance and pensions, surprisingly little attention has been paid to the political transmission pathways between both spheres. While the literature on financial system change has burgeoned in recent years (for overviews, see Deeg 2010; van der Zwan 2014), the implications of the potentially increased power wielded by financial sector actors and financialization more broadly for social policymaking remain understudied (Paster 2015, 27). Only recently scholars have begun to zero in on the politics that bring about pension financialization (e.g. Leimgruber 2008; Wehlau 2009; Naczyk 2013; 2016; 2018; van der Zwan 2017; Hassel and Naczyk 2018). Pension financialization may refer to various processes and outcomes, including "the rise of pre-funded defined-contribution plans managed by private financial services providers and to its implications in terms of the growing share of the financial services sector in GDP and employment growth, the growing dependence of pensioners' livelihoods on the performance of financial markets and the growing role of pension funds as providers of capital" (Hassel et. al. 2019). The pension finance-nexus is the political space in which actors fight over the shape and extent of pension financialization. Taking a nexus-perspective appears indispensible to make sense of two fundamental developments in recent decades—financialization and the restructuring of welfare states—and how these are intertwined.

This thesis advances an ideational institutionalist perspective on the pension-finance nexus that does not disregard material and institutional incentives, but considers ideas and discourse as key factors employed by strategic actors shaping political outcomes (e.g. Schmidt 2002a, 169; Hall 2006, 150). This corresponds most closely to Marsh's (2009) 'thin constructivism' and Jabko's (2006) 'strategic constructivism.' In this perspective, the power of financial sector actors is not simply a result of structural factors such as increased capital mobility that automatically translate into political outcomes aligning with their interests.

Preferences of private financial actors and financial policymakers are neither internally homogenous, respectively, nor a derivative of institutional context.[13] It follows that the interest formation processes and political conflicts among groups of actors populating the financial system need to be problematized. Financial actors develop their preferences and strategies whilst interacting with actors both within and beyond their domain. In other words, not just finance and its 'powering' matters, but how it constructs preferences and advances these across different institutional forums. Without taking these deeply political processes into account, we are hardly in a position to understand why financial actors preferred X in the first place and how they got their way (or not). Taking the pension-finance nexus seriously from this perspective requires an understanding of how financial actors 'internally' form their positions and how they fight for these 'externally.'

In this vein a co-authored contribution by the author revisits the German pension paradigm shift by considering the political mechanisms that link financial liberalization and pension politics (Carstensen and Röper forthcoming). It submits that the shape and effectiveness of pension multi-pillarization advocacy owes a great deal to the morphing shift toward an outsider- and market oriented financial system. This effect of financial liberalization on pensions was borne by the causal mechanism of 'invasion from within,' which centers on the simultaneous weakening of the incumbent pension paradigm and strengthening of finance capitalism as the backdrop of a strategic transfer of financialized ideas into pension politics. The underlying intuition is that if different sets of policy ideas and preferences are dominant across pockets of the political economy, actors' strategic creation of interlinkage between domains may be a key driver of institutional change. It is the synchronization through power transmission from finance to pensions that helped bring about an interpretative closing of the 'knowledge market' (Nullmeier and Rüb 1993) that made partial pension privatization appear to be a 'simple necessity' (Marschallek 2004) as part of what one may refer to as the 'social construction of an imperative' (Cox 2001).

The complex causal chain underlying Carstensen and Röper's (forthcoming) II perspective on the pension-finance nexus calls for further empirical and theoretical corroboration. The contribution marks the contours of this paper-based thesis focusing on the political fields of pensions and finance for the German case. The three papers constituting the core chapters of the thesis zero in on individual aspects of *The Politics of the German Pension-Finance Nexus*: the political conflicts and preference formations among key actors that underlie the German financial paradigm shift (paper 1), the battle over pension funds

[13] I use the terms interests and preferences interchangeably.

among segments of finance and organized business (paper 2) and the ideational origins—domestic vs. exogenous—of pension funds and liberal pension ideas more generally (paper 3). Let me briefly synthesize the papers and indicate how they build on one another.

The Three Papers: Dissecting the Pension-Finance Nexus

The first paper, entitled "German Finance Capitalism: The Paradigm Shift Underlying Financial Diversification," is concerned with the genesis of German financial liberalization.[14] While it is largely uncontested that the German financial system underwent tremendous changes throughout the 1980s and 1990s, the nature of this development continues to be the subject of debate. Are the changes we see evolutionary or revolutionary? Are they all-encompassing or compartmentalized? The paper finds that German financial liberalization progressed both gradually and punctuated in the sense that upon a marginal build-up we can identify a tipping point of political dominance for the program of finance capitalism in the mid-1990s. The extent of change was compartmentalized, as subsystems of the financial system did not liberalize. The paper advocates combining historical institutionalist and ideational institutionalist perspectives: Only by understanding how marginal ideational change morphed into a rapid paradigm shift and how ideational factors prevented change in certain spheres, can we fully account for the development we see.

The German postwar financial system was widely held to be the ideal-typical bank-based and insider-oriented variety (Hall and Soskice 2001). Its liberalization beginning in the 1980s displays a seemingly inconclusive jigsaw of change: On the one hand stock market capitalization has more than doubled and the corporate network ('Deutschland AG') has effectively been dissolved, while on the other hand public banks continue to play an important role and codetermination remains in place. These polymorphic changes fit uneasily with existing institutionalist explanations. Although historical institutionalists have enhanced our understanding of the case by specifying 'bifurcating' paths within finance and potential political coalitions, there is still no consensus about the nature of the change we see (Deeg 2010, 304). The paper identifies synergies between HI and II with regards to questions of the speed and extent of institutional change. It identifies untapped potential in leveraging their ontological differences: While II's focus on preference formation processes comes with a more agentic conception of change, HI's more structural ontology has brought about a sophisticated set of mechanisms of change. Building on these synergies, the paper integrates the notion of tipping points into analyses of marginal change to explain what

[14] A version of this paper has been published in *New Political Economy*.

connects percolating to more rapid changes of paradigmatic order. It also identifies ideas as causal factors that prevented subsystems of the financial system from liberalizing and thus help explain disparate change.

The paper's empirical analysis first takes a detailed inventory of financial system change, which reveals a varied pattern of liberalization. To explain these data points, a process tracing analysis then tracks how technocratic ideas of 'financial modernization' during the 1980s began to open up space for the political program of finance capitalism to absorb liberal and leftist discontents vis-à-vis insider control and bank dominance. Actors engaged in bricolage, which means that they recombined policy ideas and institutional logics in novel ways (Campbell 2004, 69ff.). Upon reaching a tipping point of discursive dominance, the program was distinctly adopted across the political economy as the result of compartmentally different political, ideational and structural factors; creating a non-hegemonic paradigm that became identifiable in the face of recent financial crises. These findings inform the larger debate about internal capitalist diversity and the coherence of national economic models. Most germane to the overarching empirical narrative of the thesis, the first paper traces changes in the political opportunity structure in the field of finance. These changes politically reverberated beyond the financial system. The tipping point of finance capitalism's dominance is crucial to understand the battle over pensions among segments of finance. The second paper of the thesis shows that in response to the shifting political winds in the mid-1990s that the first paper describes, banks and investment companies challenged insurers by launching financialized pension fund proposals.

Entitled "Finance vs. Financialization: The Battle over German Pensions," the second paper examines the political conflicts over pension funds among the three main factions of finance. Why did financial challengers (banks and investment companies) remain largely unsuccessful in pushing for financialized pension funds despite tremendous political momentum toward finance capitalism? It is argued that financial incumbents (insurers) were able to ward off challengers' initiatives by shifting from a strategy of 'confrontation' to 'adaptation:' Rather than seeking to prevent pension funds altogether as a new type of occupational pension scheme, they started to advocate a brand of pension funds that aligned with their preferences. The combination of adjusting strategic goals and discursive reformulations of the malleable label 'pension funds' enabled incumbents to elicit support from the wider business community and thus effectively fight the financialization of pensions *from within capital* despite a changed political environment.

Uncovering heterogeneous preferences within finance, the paper shows that insurers

were incumbents in the German private pension regime who defended an understanding of old age provision that corresponded to their business model of payout guarantees and insurance elements. Banks and investment companies, on the other hand, were challengers who advocated financialized pension funds that aimed for maximized yields through equity-orientation and defined contributions. Based on the political tipping point of finance capitalism established in the first paper, the analysis tracks challengers' and incumbents' pension policy preferences in a before-and-after research design revolving around the year 1995. In discerning genuine preferences from those that have been strategically adjusted to context, the paper carefully links actors' strategies to changes in the political opportunity structure. This in-depth account not only shows that inter-capital political struggles shape financialization; it enhances our understanding of *how* segments of capital strategically pursue their interests. This step toward explicitly integrating insights from "strategic constructivism" (Jabko 2006) with business power research contributes to refining our understanding of capital's strategies in political combat.

The third paper, entitled "The Politics of Framing: Foreign Ideas and German Pensions," revisits the question of the origins of German policy ideas with a focus on pension funds. Were the policy ideas underlying German pension liberalization throughout the 1980s and 1990s conceived externally or rather 'homegrown?' It is argued that foreign pension ideas did not have a substantive impact on the crafting of German pension policy innovations and local preference formation processes, but played a crucial role as symbolic ex post facto framing devices in political combat. Pension policy pioneers predominantly developed their ideas 'from within' by reconfiguring traditional domestic schools of thoughts and concepts from other policy fields. Even in the context of establishing 'Anglo-American pension funds,' foreign ideas played a symbolic rather than a substantive role. Building on the analysis of the battle over pension funds in the second paper of the thesis, the third paper shows that change agents initially used 'Anglo-American pension funds' as a frame to advocate more financialized old age provision schemes in line with their longstanding preferences. During the ensuing political struggles, however, continuity agents successfully reinterpreted the frame and turned it into an effective weapon to dampen pension financialization.

The paper seeks to illuminate a blind spot in the literature on the origins of policy ideas and instruments. The diffusion, transfer and translation literatures assume that the ideas providing templates for policy change and shaping the preferences of local actors are conceived and developed exogenously by transnational actors or in other countries. More domestic perspectives such as bricolage, in contrast, consider policy innovations as

reactivated local policy ideas that had laid idle. But what about cases such as German pension politics, where foreign ideas did not shape local actors' preferences, but still featured saliently in public discourse? The paper develops a distinction into symbolic and substantive functions of foreign ideas. Exogenous policy concepts can be causally consequential as symbolic framing devices, even if their underlying ideas had substantively long been conceived and advocated locally. As discursive weapons, foreign ideas are malleable to the extent that the same frame may be used to both impel and impede change in political struggles. Hence, the paper does not reject foreign ideas as causally irrelevant, but sets out to specify *how* such ideas factor into local pension politics and draws attention to the underexplored differences between core and peripheral countries with regards to the viability of the mechanisms bricolage and translation.

To show that foreign pension ideas did not have a substantive impact on the crafting of German pension policy innovations and local preference formation, the paper initially surveys pension-political fault lines during the postwar decades and tracks the ideational genesis of key pension innovations during the 1980s and 1990s. To explore the role of foreign pension ideas as framing devices in political combat, the analysis then builds on the discursive battle over pension funds examined in the second paper of the thesis. The case study zeroes in on the utilization of 'Anglo-American pension funds' as a frame that was introduced by advocates of financialized pension funds and later successfully reinterpreted by antagonists. Not only were the first proposals presented as 'Anglo-American pension funds in Germany' substantively conceived locally, but the foreign-frame was eventually employed by continuity agents to prevent pension financialization and veneer continuity as the translation of a foreign policy innovation. This is surprising given that 'Anglo-American pension funds' can be considered the epitome of a neoliberal social policy concept that diffused across 'non-liberal' developed political economies, and as such, a least likely case for an argument denying substantive exogenous ideational impact.

Methodology and Sources

Methodology and ontology should align (Hall 2003). As I am interested in appreciably complex arguments that involve interacting actors, institutional contexts and political strategies—rather than correlations, propensities or specific isolated variables—, a qualitative case study approach is felicitous (e.g. George and Bennett 2004). Ontology and methodology also feed into and off epistemology (Blatter 2016). The thesis subscribes to a mechanism-oriented epistemology that strives to uncover the "cogs and wheels of the causal

process through which the outcome to be explained was brought about" (Hedström and Ylikoski 2010, 50). Broadly defined as "portable concepts that explain how and why a hypothesized cause, in a given context, contributes to a particular outcome" (Falletti and Lynch 2009, 1143), the three papers in the thesis trace mechanisms such as bricolage and translation that link actors and context to offer a comprehensive account of institutional change (for an overview of mechanisms, see Campbell 2004, 62ff.).

The main focus of the analyses in the three papers is on the preferences and strategies pursued by political actors, with a particular focus on three main factions of finance: banks, insurers and investment companies. The prime research objective is to gain a richer understanding of preference formations—"the processes by which social actors decide what they want and what to pursue" (Hall 2006, 131)—and political conflicts at the pension-finance nexus. All papers trace changes in the socio-political and institutional environment and link them to the (first and second order) preferences and strategic considerations of key actors, ideally "illuminat[ing] the considerations, information, and lines of reasoning that shaped influential actors' beliefs, policy preferences, and choices" (Jacobs 2011, 27). To probe into these dynamics, the thesis applies process tracing techniques.

Process tracing has increasingly become the method of choice to disentangle complex phenomena through within-case analysis. It emphasizes the importance of periodization not only to reduce the complexity of historical processes, but because "[p]eriods are bounded by important events, changes, or turning points that can be conceptualized as markers of variation in a potentially important explanatory variable" (Lieberman 2001, 1017). Creating "detailed narratives" (George and Bennett 2004, 210) of political phenomena is a fundamentally descriptive exercise constituting the foundation of the process tracing method (Collier 2011, 823). However, process tracing aims to move beyond descriptive ordering or correlations by opening up the black box obscuring causation and "establish the ways in which the actor's beliefs influenced his receptivity to and assessment of incoming information about the situation, his definitions of the situation, his identification and evaluation of options, as well as, finally, his choice of a course of action" (George 1979, 113). Given the ideationally attuned arguments advanced here, process tracing becomes an interpretative exercise in contextualized discourse analysis that probes into "agents' rhetorical strategies, the circulation of ideas in discursive communities, and the role of ideational leaders" (Schmidt 2017, 248).[15]

[15] Discourse analysis may be considered a subcategory of process tracing (Schwab-Trapp 2001, 264).

All three papers share a primary focus on the 1980s and 1990s and are single case studies. While internal validity comes at the expense of generalizability when engaging in single case studies, they have come to be appreciated when important and complex processes are investigated (e.g. Rueschemeyer 2003; Hall 2003, 396; George and Bennett 2004, 21ff.; 220ff.). These criteria are met in the papers at hand. Germany's post war configurations represent archetypes among 'nonliberal' political economies for both pension and financial systems. Single case studies of the German pension-finance nexus are further justified because it may be considered an 'extreme case' (Gerring 2007, 101ff.) in terms of how change-averse (Trampusch 2009, 30) and unfinancialized (van der Zwan 2017, 561) it has been for the longest time and continues to be in many ways. The individual papers differ in terms of the mechanisms they trace (bricolage, translation) and the actors on which they focus (financial policymakers, segments of organized business, factions of finance). The employed process tracing techniques vary accordingly, ranging from illustrative 'explaining-outcome' process tracing in papers 1 and 3 to more rigid 'theory-testing' process tracing in paper 2 (Beach and Pedersen 2013, ch. 2). The specific research strategies will therefore be fleshed out in the individual papers. In addition, the final chapter discusses alternative explanations.

Process tracing is most promising when gathering data from as many sources as possible (George 1979). This analysis draws on a wide range of primary and secondary sources, including parliamentary debates, newspaper archives, TV recordings and expert interviews. Plenary debates about pension and financial policies are particularly important, for they are frequent and detailed representations of (party) discourse in a constant medium. In addition to plenary debates, I have consulted further documentation from the Bundestag archives, including committee sessions and public hearings (for an overview of the most important legislations, see Table 1). I have systematically searched the main periodicals of German business associations and journals for German banking and insurance studies. I have also systematically perused the archives of *Frankfurter Allgemeine Zeitung*, *Der Spiegel* and *Die Zeit*.[16] This combination of a daily conservative-liberal newspaper as well as left-leaning and liberal weeklies, covers a broad cross section of public discourse and both daily reporting and background pieces. In addition, I rely on secondary accounts to capture the larger ideational, political and economic context.

[16] Search terms for the periods from at least 1980 to 2002 include "Finanzplatz," "Finanzplatz Deutschland," "Pensionsfonds," "Finanzmarktförderungsgesetz," "Shareholder Value" and "Private Altersvorsorge."

Table 1: Key Reforms and Dates of Legislation

Financial Reforms:
Erstes Vermögensbeteiligungsgesetz, 22.12.1983
Zweites Vermögensbeteiligungsgesetz, 19.12.1986
First Financial Market Promotion Act (Erstes Finanzmarktförderungsgesetz), 22.02.1990.
Second Financial Market Promotion Act (Zweites Finanzmarktförderungsgesetz), 26.07.1994
Drittes Vermögensbeteiligungsgesetz, 24.03.1998
Third Financial Market Promotion Act (Drittes Finanzmarktförderungsgesetz), 24.03.1998
Pension Reforms:
Rentenversicherungsgesetz, 08.02.1957
Gesetz zur Verbesserung der betrieblichen Altersversorgung, 19.12.1974
Pension Reform Act 1989 (Gesetzes zur Reform der gesetzlichen Rentenversicherung), 18.12.1989
Wachstums- und Beschäftigungsförderungsgesetz, 25.09.1996
Rentenreformgesetz, 16.12.1997
Pension Reform Act 2001 (Altersvermögensgesetz), 20.12.2001

To validate the findings from documentary research, enhance the reconstruction of political processes and discern actors' motives and beliefs, especially the second and third papers of the thesis draw on expert interviews (Tansey 2007). Given the nature of the process tracing techniques employed, a semi-structured interview technique is most promising (Tansey 2007, 771). I have conducted 23 in-depth interviews with subjects selected based on case knowledge (purposive sampling) and recommendations (snowball sampling). Interview subjects include representatives of organized business (Bundesvereinigung der Deutschen Arbeitgeberverbände, BDA), commercial banks (Association of German Banks, BdB), insurers (Gesamtverband der Deutschen Versicherungswirtschaft, GDV), investment funds (Bundesverband Investment und Asset Management, BVI), Deutsches Aktieninstitut (DAI), Arbeitsgemeinschaft für betriebliche Altersversorgung (aba) and the OECD. In addition, I have conducted interviews with bureaucrats, business leaders, academics and policymakers (CDU, SPD and FDP), including both former MPs and ministers. The interviewees' anonymity shall remain protected in all cases it was requested. Interviews were conducted in person, over the phone or via email, were audio-recorded and transcribed, and lasted between 0,5 and 3 hours.

Contributions to the Literature

The overarching contribution the thesis aims to make is to extend the ideational institutionalist research agenda to the study of the pension-finance nexus. In doing so, it speaks to several vibrant lines of inquiry in CPE. One may identify three main contributions.

First, the thesis revisits the thoroughly studied case of German pension politics from a new vantage point. Virtually nobody appears to doubt that changes in the financial sphere had a bearing on German pension politics, yet no systematic attempt has been undertaken to inquire just how these linkages have played out. Studies either deduce finance's effect from reform outcomes that were in their material interest or point rather vaguely to their efforts to lobby policymakers or penetrate public discourse. In contrast, the thesis zeroes in on the preferences and strategies of key financial actors underlying the shift from a bank-based and stakeholder-oriented financial system to 'coordinated finance capitalism.' By examining the implications of these changes in finance for pensions, the thesis links the two largely disconnected bodies of literature in CPE and thus contributes to a richer understanding of the German pension-finance nexus. Not least because the German case is paradigmatic and extreme, this may contribute to efforts of disentangling how financialization makes its way through different pockets of political economies beyond the case at hand.

Second, the thesis contributes to refining the revived CPE literature on business power. This primarily pertains to recent efforts to differentiate segments of capital. It discerns how divergent interests can be across branches of the financial sector and the political strategies with which they pursue these. The thesis makes a contribution to the study of plurality within finance and, more generally, illuminates political dynamics underlying financialization. In addition, the interactions between segments of the financial sector and segments of organized business at large are problematized. Finally, the thesis refines our understanding of businesses' political strategies by emphasizing their adaptiveness and thus variation over time, and by unveiling the importance of discursive strategies in translating positional changes into political action.

Third, in probing into the importance of discursive strategies and policy ideas, the thesis contributes to the research agenda of HI and II in identifying and tracing sources of endogenous institutional change. By specifying notions of framing and grafting in mechanisms of incremental change such as bricolage, the thesis contributes to greater analytical clarity about where changes in institutional interpretations originate and how such (re)interpretations gain a firm footing within an institutional configuration.

The thesis is structured as follows. Chapter 2 surveys recent developments in the literatures on business power and the pension-finance nexus as well as historical and ideational institutionalism to situate the contributions of the thesis. Chapters 3 to 5 contain the three papers. Chapter 6 concludes and discusses the implications of the thesis for the wider CPE literature.

2. The Political Economy of Pension Financialization

Given its focus on segments of capital as key actors in financial and pension politics, the thesis most directly contributes to scholarship on business power (e.g. Hacker and Pierson 2002; Korpi 2006; Paster 2018) and pension financialization (e.g. Naczyk 2013; van der Zwan 2017; Hassel et. al. 2019). More widely, it builds on recent debates about mechanisms of marginal change in historical institutionalism (HI) and ideational institutionalism (II) (e.g. Campbell 2004; Streeck and Thelen 2005; Carstensen 2011a; Clift 2018). This chapter situates the three papers constituting the core chapters of the thesis in this scholarship. Initially it surveys the existing comparative political economy (CPE) literature on the pension-finance nexus and business power, followed by a review of relevant recent developments in HI and II. Against the backdrop of this discussion, the final section concludes by highlighting the contributions of the thesis.

Business Power and the Pension-Finance Nexus

As is often the case in the social sciences, much of the work in CPE on the pension-finance nexus builds on typologies for both constitutive domains. Typifying pension systems is at the core of long-standing debates about clusters of welfare states (Titmuss 1974; Esping-Andersen 1990). Common lines of demarcation are pension systems' redistributive impact and the public-private funding mix across the three pillars (public, occupational and private). Esping-Andersen's (1990) *Three Worlds of Welfare Capitalism* synthesizes these distinctions alongside three ideal types. The German postwar pension system constitutes the prime example of a Bismarckian or 'conservative' configuration that is largely state-run on a PAYG basis, whilst prefunded private and occupational schemes play a minor role.[17] Apropos of financial systems, the Varieties of Capitalism (VoC) approach most prominently postulates ideal types of finance regimes that correspond to its basic dichotomy: market-based and shareholder-oriented financial systems in 'liberal' market economies like the US and bank-based and stakeholder-oriented systems in 'coordinated' market economies like Germany (Hall and Soskice 2001).[18] The division into bank- and market-based systems indicates

[17] High replacement rates, equivalency and status maintenance are the (non-)distributive guiding principles. Instead of this insurance principle, social democratic systems grant universalistic social rights that manifest themselves in more generous base pensions. The state is also the dominant source of finance in these Beveridgean systems. In residualist liberal systems, in contrast, state pensions merely cater to the most needy, while households rely heavily on prefunded private schemes (Esping-Andersen 1990).

[18] The typology of bank- and market-based financial systems derives from Zysman's (1983) original tripartite varieties of financial capitalism. In a bank-based system, bank-client relationships are usually long-term and 'relational.' In a market-based financial system, capital markets are the main source of finance and banking is characterized by short-term deals at arm's length (Deeg 1999; Vitols 2004).

which channel is dominant—banks or capital markets—in the transfer of funds between savers and investors. The corporate governance regime dichotomy refers to the main information channels and the locus of corporate decision-making. [19]

Based on these ideal types much of the earlier research on the pension-finance nexus in CPE sought to explain why stakeholder-oriented and bank-based financial systems tend to cluster with predominantly public and often PAYG pension regimes in coordinated political economies (Estévez-Abe 2001; Jackson and Vitols 2001; Vitols 2004; Manow 2001). Jackson and Vitols (2001) consider the implications of the relative proportions of the three pension pillars for both the demand for financial products and the supply of savings by households. As pension funds tend to invest in riskier assets than households, they deepen capital markets, whereas generous public pensions lead to direct savings by households, who tend to invest in bank deposits, thereby increasing the supply of funds to banks. Since generous public PAYG systems 'crowd out' private pension savings, welfare policies are an important determinant of financial systems.[20] In a similar VoC vein, Vitols (2004) attributes characteristics of financial systems to the overall institutional arrangement, with savings preferences by households as the most important determinant. He derives these preferences from the level of inequality: the lower inequality (which depends on the design of other domains, including labor market and pension institutions), the lower the demand for risky, market-based assets and the higher for bank deposits. Whereas Vitols (2004) and Jackson and Vitols (2001) view financial systems as the historical offspring of pension regimes and institutional arrangements at large, Estévez-Abe (2001) suggests a two-way causality. Reminiscent of Zysman's (1983) developmental state-finance argument, she emphasizes purposive institutional design in finance and pensions during the 1950s and 1960s. In accordance to the production regime and industrial policy preferences of the state, financial and pension reforms created a "finance nexus between the firm and the provider of capital" (Estévez-Abe 2001, 193). In coordinated political economies like Germany and Japan the

[19] Whereas investors in LMEs depend on publicly available information to evaluate firms and exercise outsider control, investors in CMEs rely on informal, reputation-based networks to obtain information through insider control. In an insider- or stakeholder-oriented regime, all central stakeholders of a firm participate in corporate decision-making. These firms place high importance on long-term job tenures, which corresponds to the lower exposure to short-term market pressures due to less important equity markets. They are connected through mutual equity stakes and positions on each other's supervisory boards. In an outsider- or shareholder-oriented corporate governance regime, stockholdings are dispersed, minority shareholder protections are strong, labor has less power while managers have more latitude with the goal of maximizing the return on equity ('shareholder value') and the more common occurrence of hostile takeovers creates a 'market for corporate control' (Deeg 2010).

[20] Jackson and Vitols (2001) also find that the design of occupational pension funds (firm-external pension funds versus firm-administered internal book reserves) has implications for corporate governance regimes, as they differ in the extent to which they provide 'patient capital.'

design of pension systems aimed at ensuring stable corporate finance rather than spurring vibrant capital markets.

Whilst insightful when seeking to understand the post-war consistency of this nexus, these works are reflective of VoC's limitations in accounting for change rather than continuity.[21] The link between pension and financial systems is largely explained in functional and static terms. Vitols (2004) does not offer an explanation of change, other than allusions to demographic pressure and the vague pursuit of liberalization reforms by some actors. Albeit an interesting contrast to the financialization literature that assumes finance to be the dominant domain, the tendency to relegate financial systems to functional derivatives of other domains clearly limits the explanatory leverage for change.[22] Jackson and Vitols (2001) assert that generous public pension regimes lead to political alliances between the lower- and middle-income groups versus more privatized systems, where middle-income earners are aligned with upper-income groups. They broadly postulate that "pension policies are a key factor influencing the 'politics of reform' in capitalist economies, including the reform of financial systems, corporate governance systems and, ultimately, welfare state policies" (Jackson and Vitols 2001, 173). This political change, however, remains undertheorized. As Naczyk (2016, 206; emphasis in original) writes: "these studies have analysed socioeconomic actors' financial interests only after private pension plans have entrenched themselves, and have failed to examine how these actors' stances on the welfare-finance nexus lead them to *actively* influence the institutional design of such plans."

More recently, scholars have begun to probe into the actual politics of the pension-finance nexus. They still draw on abovementioned typologies as analytical starting points and core terminology, as does this thesis, but focus on how different actors seek to shape the nexus to their advantage. A key insight is that not just the overall shift in relative weight from public to private forms of old age provision is socially consequential, but also the design of capital-funded pensions. Regulatory specifics of private and occupational pensions may drive the "great risk shift" (Hacker 2006) from collectively organized to individualized forms of social insurance. Who is covered by schemes that contain what types of guarantees and investment regulations has become of particular interest to scholars studying financialization. Financialization can be broadly defined as the "the web of interrelated processes [...] through which finance has extended its influence beyond the marketplace and

[21] For a more extensive discussion of VoC, see Howell (2003); Hay (2005); Pontusson (2005); Crouch (2005); Streeck (2010).

[22] This unidirectional concept of change with pension regimes as the independent variable and financial systems as 'takers' may stem from CPE's long-standing tendency to conceptualize financial systems as neutral structures intermediating funds (Engelen and Konings 2010).

into other realms of social life" (van der Zwan 2014, 101). Pension financialization may refer to the overall shift from PAYG to capital-funding, an increased share of investments by capital-funded schemes in corporate equity and a shift from defined benefits to defined contribution schemes (van der Zwan 2017).[23]

Various contributions consider the motives of policymakers and the state to make sense of pension financialization.[24] Béland (2006) emphasizes the maneuvering room for policymakers when designing and reshuffling the relative importance of the three pension pillars and points to the impact that stock market rallies may have on their social learning in terms of encouraging pension privatization reforms. Carstensen and Röper (forthcoming) discuss how proponents of pension privatization from the financial sphere employ discursive political strategies to 'invade' the German pension arena. Hacker (2004) characterizes the political mechanisms driving the 'privatization of risk' in American (occupational) pensions by deploying concepts like layering, conversion and drift (see below for a discussion). Natali (2018) and van der Zwan (2017) show for various cases of highly financialized occupational pension systems that pension financialization may take different forms or paths, crucially depending on the prevalent institutional arrangements.[25]

Another important perspective on the politics of pension financialization focuses on the role of organized business interests. While the submission that "employers exercise very significant power" (Thelen 2010, 201) in market economies is hardly contentious, questions of how and to what extent business gets their way, as well as what they prefer in the first place, have been the subject of much debate. Summarizing crudely, the business power literature may be categorized into three waves:[26] First, deterministic views postulated that due to the structural dependence of governments on capital the deck is stacked in favor of business (e.g. Lindblom 1977; Przeworski and Wallerstein 1988). Second, scholars submitted that business may actually develop (rational) pro welfare state preferences (Hall and Soskice 2001; Swenson 2002; Mares 2003). Third, scholars argued that this latter view of business actors as "patient cogs" (Streeck 2009, 234) is based on a misconception: business consent to welfare state growth usually stems from strategic adjustments to the political environment rather than a change in genuine preferences (e.g. Hacker and Pierson

[23] These trends may have a variety of effects on political economies: financialization of the overall capital accumulation regime; old age income becomes more dependent on capital market development in the absence of pay out guarantees and an increased reliance on riskier asset classes; burgeoning pension funds act as agents of financialization by pushing for shareholder value through 'corporate engagement' (Clark and Hebb 2004).
[24] For explicitly state-centered perspectives on the pension-finance nexus, see Trampusch (2018); Tuytens (2019).
[25] See also Naczyk (2013) for the importance of institutional feedback effects in occupational pensions.
[26] For a comprehensive survey, see Paster (2015).

2002; Korpi 2006; Paster 2018). This thesis generally follows this appreciation of business as "conditional consenters" (Leimgruber 2008, 283) or "live predators" (Streeck 2009, 234) rather than cogs.

Business power scholars increasingly turn their attention to the political dynamics revolving around the pension-finance nexus. They focus on the implications of financialization for businesses' preferences vis-à-vis occupational pensions (van der Zwan forthcoming b) and political conflicts between organized business and labor (McCarthy 2014; McCarthy et al 2016; Anderson 2019). Reflective of the business power literature at large, these scholars often pay scant attention to what is a key group of actors in this context: financial sector actors. If indeed "finance has shed its subservient role vis-à-vis the productive forces and instead has adopted an autonomous—and in many cases, dominant—presence in the political economy" (van der Zwan forthcoming a), its interactions with non-financial business should become an important subject of inquiry. The business power literature increasingly recognizes that organized business is not one monolithic actor and those studying the pension-finance nexus have started to uncover divergent preferences vis-à-vis occupational pensions between (non-financial) employers and financial sector actors (Hacker 2002; Klein 2003; Leimgruber 2008; Meyer and Bridgen 2012; Naczyk 2013; 2016). This call "to analyse the role of the financial industry" (Naczyk 2013, 442), however, often exclusively refers to the insurance industry, thereby treating financial sector actors like a unitary group.

Recent literature has crucially begun to probe into the variegated set of preferences among factions of finance like banks and insurers in the pension policymaking context (e.g. Oelschläger 2009; Wehlau 2009). In particular, Hassel and Naczyk (2018) draw our attention to the heterogeneous preferences within (German) finance with regards to the 'politics of private pension guarantees.' Recognizing that preferences among segments of both finance and business may differ, invites a more complex perspective on political conflicts within capital. This thesis contributes to efforts to appreciate the pension-finance nexus as a political battleground where segments of capital both fight one another and build coalitions to win over policymakers and overpower political competitors. Papers 2 and 3 uncover diverging preferences among factions of finance and employers and trace coalition building across these segments. Factions of finance may effectively oppose pension financialization in coalition with other segments of business. Such antagonism toward financialization *from within capital* has been largely overlooked in the otherwise burgeoning literature on (pension) financialization. Accommodating political struggles within capital is one key way in which this thesis seeks to contribute to our understanding of the politics of

pension financialization. Beyond accounting for a plurality of preferences, the main focus is on the processes of how segments of capital adjust and translate their preferences into political action. Probing into the genuine and strategic preferences of segments of capital and engaging with the discursive political strategies employed in this context, are the main contributions of papers 2 and 3. Before I return to this issue of discursive political strategies in the final section, it seems pertinent to discuss the broader conceptual underpinnings in terms of the historical and ideational institutionalist literature on which the thesis draws.

Historical Institutionalism and Agency

Despite tremendous structural challenges such as economic globalization pressures, one would be hard-pressed to identify full-fledged convergence across developed political economies since the 1970s.[27] Instead, we appear to see continuously idiosyncratic national trajectories of institutional change, including the cases of German finance and pensions. The most important theoretical perspective explaining such resilience is arguably institutionalism. Since rediscovering and liberating institutions (and structure) from their status of being epiphenomenal over 30 years ago, neo-institutionalism has become one of the dominant frameworks in CPE (Schmidt 2008, 313). Even its critics admit that the wide body of literature dealing with the way institutions affect actors' behavior and thus countries' trajectories, poses a persuasive alternative to globalization-convergence theories and a rich ground for interdisciplinary dialogue. This thesis generally follows the core institutionalist postulate that national institutions filter, shape and permutate globalization forces. It is ontologically rooted in historical institutionalism (HI). The sub-strand "constitutes the often implicit default methodological position or starting point for analysis in interpretive political science" (Clift 2014, 105) and particularly in welfare state scholarship it has become the dominant perspective (Béland 2005).

Out of the wide field of neoinstitutionalism, HI is the most eclectic brand due to its less rigid ontological foundation neighboring the sociological and rational brands (Hall and Taylor 1996, 940; Thelen 1999, 370). It advances a non-functionalist, historical view of institutions, whose legacies create their own constituencies, often stacking the deck in favor of incumbent actors. The victory of incumbent insurers analyzed in papers 2 and 3 speaks to this. That we rarely see revolutionary changes in developed political systems appears to confirm HI's main insight: 'history matters' as past policy decisions shape future trajectories

[27] Although much of the debate in CPE continues to be along the lines of 'commonalities' versus 'varieties' of capitalisms (Baccaro and Pontusson 2018), I will not revisit the convergence vs. divergence debate here (for a critical discussion, see Streeck 2009, ch.12).

(e.g. Skocpol 1992; Immergut 1998). Institutions are fairly sticky historical legacies whose origins need to be explained—rather than their output as coordination facilitators in self-enforcing equilibria—and affect actors' behavior and preferences in complex ways. Institutions may mediate which bearers of policies gain access to elite-decision makers (Immergut 1992), have a bearing on future decisions through policy feedback both in terms of incentives and 'interpretative effects' (Skocpol 1992; Pierson 1993), influence the target audience and framing of discourse (Schmidt 2006) and are formal and informal rules that in many ways affect "the opportunity costs against which proposals for change are weighed" (Hall 2006, 153).

Markedly successful in discarding the notion of liberalization spreading monolithically across developed political economies, the institutionalist literature struggles to account for path-shaping rather than path-dependent change (Hay 2008). HI is dominated by concepts of path dependence and tends to assume that political dynamics reproduce institutional path conformity, which results in limitations when explaining change rather than continuity. Actors appear to be in an "iron cage of institutions, which they cannot change" (Crouch 2005, 3). Veto points and players, for example, may help to explain the difficulties and slowness of the process as well as the power distribution among different actors, but they do "not reveal much about how legislative proposals reach the political agenda or about government preferences" (Immergut and Anderson 2006, 7). For example, as German political institutions have not changed in any meaningful way, veto point theory holds limited purchase to explain pension privatization. Studies of the case at hand in this vein (e.g. Merkel 2003; Schludi 2005) attest to this by failing to grasp the shift in actors' preferences and instead consider it as exogenously given (Trampusch 2006, 61). The choice of the particular policy option remains unproblematized as punctuated equilibria brought on by exogenous shocks ensued by critical junctures work as the default theory of change.

Although welfare states, financial systems and other domains have not fully converged, they still underwent substantive changes since the 1970s. This poses a challenge to classic HI conceptions, which struggle to explain change in the absence of an exogenous shock event, for they "lack[] any clearly identified source of agency" (Peters et al. 2005, 1284). The failure to causally accommodate institutional restraint and enablement with agency—that is "the ability of individuals and groups to reshape their environments" (Berman 2001, 237)—has been lamented as HI's 'agency problem' (Blyth et al. 2016). The widely perceived imperative to infuse HI with agency has brought about far-reaching theoretical advancements.

Crucially shaped by the works of Pierson (1996; 2001), the *New Politics of the Welfare State* literature sets out as a corrective to static, apolitical institutionalist arguments. To overcome obstacles of change like lock-in effects, policymakers engage in strategies like blame avoidance or blame sharing, thereby obfuscating responsibility and mitigating potential electoral punishment for unpopular reforms. Myles and Pierson (2001, 330) also build on the longstanding contention that right-leaning parties be more inclined to push for welfare state retrenchment than parties of the left (e.g. Esping-Andersen 1990). Such party preferences, however, are a problematic fit with the empirics; especially during the 1990s, when Social Democratic parties were responsible for a fair share of 'neoliberal' reforms (Ross 2000). Left-leaning parties have often implemented pension privatization reforms, including the German case. The 'new politics' approach is particularly useful in inquiring why certain policy options are 'off the menu' for policymakers—for they are "are severely constrained in their options by the accumulated commitments" (Myles and Pierson 2001, 12)—rather than why they came to favor policy option X over Y. If we do not know why policy option X was deemed superior, thus essentially omitting preference formation and agenda setting processes, we struggle to inquire how advocates of X persuaded or overpowered potential antagonists. This absence of causal pathways toward policy consensuses has been attributed to an overemphasis on temporality, as institutional legacies continue to trump political conflict (Blyth 2016, 465).

Another political factor in the 'new politics' approach centers on the need for consensus-oriented policy making, especially in the pension sphere. The imperative for inclusive policymaking is assumed to be particularly pronounced in a fragmented polity such as the German (Bonoli 2001). Be it widespread political consent (Myles and Pierson 2001), the size of the 'pro-welfare coalition' interplaying with electoral results and political institutions (Bonoli 2001) or the policy distance between veto players (Tsebelis 1995; 1999; 2002); cross-class alliances are viewed as necessary conditions to overcome institutional barriers to change. Emphasizing the need for concurrence has been criticized as a way to circumvent conceptualizing political conflict that is indicative of how apolitical the approach actually is in underplaying the role of interest groups (Korpi and Palme 2003). In a crucial contribution to efforts of infusing HI with agency, Häusermann (2010) revisits the linkages between coalition-building and institutional context. She shows that multi-faceted socio-structural changes have created a political space that provides openings to evermore-differentiated groups of actors to compete or collaborate with regards to various dimensions of pension liberalization. In linking the different facets of pension retrenchment and restructuring as dimensions of politics with institutional context and agency, she overcomes

many of the structuralist temptations in the 'new politics' approach. Agency features in two main manifestations here: policy entrepreneurs need to actively utilize the contextual multi-dimensionality of context to 'engineer' coalitions and these entrepreneurs are not just bearers of material interests but also of cultural values such as individualization or gender equality, which in turn have a bearing on coalition-building.

Marginalist HI is the other crucial sub-strand striving for more agentic and endogenous conceptions of change (e.g. Hacker 2004; Thelen 2004; Streeck and Thelen 2005; Mahoney and Thelen 2010). The cliché *big things come in small packages* synthesizes the crucial insight of HI's own 'marginal revolution.' In their seminal work, Streeck and Thelen (2005) assert a secular liberalization process among advanced political economies for the postwar period in the absence of exogenous shock events. The most prevalent type of institutional change in this context is potentially transformative gradual change. If institutional change does not hinge on shock events, it follows that we must turn to reconfigurations of existing institutional material and political conflict as endogenous sources of change. The arguments that lie at the core of gradual institutional theorizing are based on a simple, yet powerful insight regarding institutional ambiguity, namely that the rules dictated by institutions do not equal the actions made under the rule. This means that the outright replacement of an institution is only one of many possible modes of institutional change. Actors may also think outside of institutions, reinterpret their meaning and reactivate dormant institutional logics.

This research agenda of seeking to capture the rearranging, recombining, reinterpreting and maintaining of institutions has generated a variety of important mechanisms or types of gradual institutional change. These conceptions—including layering, conversion, translation and bricolage—assume that a "multiplicity of institutional repertoires, including contradictory ones, can coexist in a particular institutional space" (Djelic and Quack 2007, 166; see also Crouch and Farrell 2002; Schneiberg 2007). Bricolage essentially means that actors recombine institutional logics in novel ways (e.g. Campbell 2004, 69ff.), while translation refers to the reconfiguration of novel foreign institutional elements with local ones (Campbell 2004, 79ff.; Goutas and Lane 2009). Similarly, layering describes political actors introducing new elements to the existing institutional setup that adhere to a different institutional logic, with the additional mechanistic effect that these may over time 'crowd out' the old one (Schickler 2001; Thelen 2004). Conversion means that old institutional arrangements remain in place, but different meanings (Jackson 2005) and purposes (Thelen 2004) are attributed to them. Papers 1 and 3 draw heavily on these mechanisms, particularly bricolage and translation, as I will discuss further below.

Although marginalist HI scholars "mobilize a great deal of creativity to transform the notion of non-change into a concept of change" (Lamping and Rüb 2010, 46), an ontological core of "latent structuralism" (Hay 2008, 61) remains. Preference formation is theorized as actors largely conforming to the prevalent regime, except for a few experimenters at the margins. Going beyond the common 'rules of the game' understanding, Streeck and Thelen (2005, 16) define institutions as evolutionary "systems of social interaction under formalized normative control" that are formally enforceable and legitimate. As these regimes are necessarily non-universal, actors are left to interpret them creatively. Collective pressure continues to be the paramount force here: "defining of an institution is that actors are *expected* to conform to it, regardless of what they would want to do on their own" (Streeck and Thelen 2005, 10; emphasis in original). There appears to be a discrepancy between the aspiration to allow for endogenous change driven by institutional entrepreneurs seizing on sufficient 'play' and the conceptual reality.[28] Institutions viewed as collective expectations hinge on assumptions akin to strategic coordination, in what Schmidt (2007, 18) refers to as a "very soft rationalist version of the micro-foundations." Even though actors are assumed to find enough 'slack' to interpret collectively reinforced regimes creatively, it is hard to conceive how these interpretations come about and translate into change.

This becomes apparent in the mechanisms of gradual institutional change that Streeck and Thelen (2005) synthesize and develop to give analytical flesh to their core argument. Consider the mechanism of layering. Depicting the introduction of a private pension scheme as a new layer (or pillar), for example, is of limited use to explain why or how this new layer or logic in particular reigned supreme. The mechanism of drift emphasizes that institutional survival is rarely an uncontested automatism, for it needs to be actively maintained and renegotiated (Hacker 2004). Whereas drift may be helpful to make sense of outcomes such as increased pensioner poverty or continued discrimination against women as the result of a failure to adjust the pension system to emerging social risks, it holds limited explanatory power for a *new* policy prescription such as pension privatization. Hemerijck (2013, 97) contends that despite assumptions of institutional ambiguity, the decidedly materialist underpinnings of marginalist HI stand in the way of capturing why certain policies were chosen over others:

> Although they do not see material interests as stable per se, Streeck and Thelen largely fall back on a materialist conception of distributive interests. [...] [T]hey do not allow for the institutional

[28] Note that Streeck (2009, 121) counters: "Understanding institutional change therefore requires exploration of the relationship between social rules and social action, in terms that can account for human action as rule-making, rule-taking, and rule-breaking. [...] [N]orm-following behavior is never completely determined by the norms it follows, and therefore always retains agentic properties."

> ambiguities they underscore to help (re)shape the cognitive understandings and normative orientations of relevant policymakers. As a result, the search processes and political motivations by which policy actors opt for conversion, layering, and other mechanisms of institutional evolution are obscured. Exploiting and exploring the ambiguity of institutions and reactivating and redirecting latent rules and routines to new purposes, clearly suggest elements of reflexivity and judgment. For all their merits, Streeck and Thelen continue to overlook both the intellectual components and the purposeful motivations of incremental but transformative institutional choice.

One may lament that historical institutionalists have not fully lived up to their original aspiration of building "a theoretical bridge between men who make history and the circumstances under which they are able to do so" (Thelen und Steinmo 1992, 12). Later work by Mahoney and Thelen (2010) comes closest to building that bridge through a conceptually persuasive pairing of actor types with institutional conditions under which they may successfully pursue their agenda. Yet, a more complex consideration of preference formation is still absent, as in this norm-driven, materialist account "change agents appear like super-human figures who cut through manifold complexities and uncertainties of social life to perceive the equilibrating and efficient paths of change and act accordingly" (Clift 2018, 34). Mahoney and Thelen (2010) advance a 'power distributional' view of institutions, which "obscure[s] the need for agents to interpret material incentives before they react to them [...] [and] downplay[s] the ways in which interests reflect not merely where institutional agents 'sit' but also how they 'think'" (Widmaier 2016, 341). That is why "these approaches are insufficient to answer the question, why change occurs in the first place and what meaning it has" (Seeleib-Kaiser 2008, 68). Liebermann (2002, 697) captures this conceptual lacuna in HI:

> Given the raw material—assumptions about actors' beliefs, preferences, knowledge, understandings, and expectations—institutional theories can effectively derive predictions about which outcome from a range of contemplated outcomes is likely to occur. But precisely because material approaches tend to take these things as given, they are at something of a loss to explain the appearance at any given moment of any particular menu of particular choices. [...][Institutional theories] cannot account for the substantive content […] of the beliefs and understandings that led actors to connect these demands with a particular set of policy solutions.

The thesis draws on mechanisms of marginal change developed by scholars working in HI. It is also influenced by the literature on path dependency, as once in place, rules and perceptions often become sticky and enable incumbents to defend their position even under altered contextual conditions. At the same time, the thesis subscribes to an agentic understanding of change, where it is not mostly the felicitous concurrence of actors' interests and contextual changes, but more of a creative-ideational process of reinterpretation that overcomes political inertia. It focuses on preference formation processes and political

strategies, which directs our attention toward the politics of ideas and discourse. The next section will survey the requisite institutionalist literature.

The Promises and Problems of Ideational Institutionalism

An important starting point to supplement HI, is a reconsideration of ideation, discourse and thus politics: "While institutional structures give shape to the policymaking processes which breathe life into institutional structures, politics makes them matter by adding ideas, values, interests, and cleavages" (Schmidt 2006, 224). Despite the central role attributed to reinterpretation (e.g. Thelen 2004; Hacker 2004; Jackson 2005), HI tends to treat ideas as underspecified auxiliary factors (Blyth et al. 2016, 158; see also Blyth 2002, 19ff.; Carstensen 2015a, 306). HI studies of the German pension path departure attest to this. For example, Busemeyer (2005, 577) argues that veto players forced the German government into innovative policymaking in the form of pension privatization, only to admit to the importance of ideation in passing: "apart from the institutional structure, perceptions and interaction orientations of actors played a major role too." Similarly Bonoli and Palier (2007, 561) concede that "[o]n the other hand, the 1990s also saw a change in the dominant policy paradigm in social policy."

A growing body of scholarship seeks to overcome difficulties in accounting for agency and change by explicitly infusing institutionalist approaches with ideas and discourse as explanatory factors. HI and II may be considered complementary, for the latter "also speak the language of institutional rules and regularities, critical moments and incremental change [...] [but seek to] infuse these 'structures' with 'agency', by focusing on the ideas of real actors that help explain changes or continuities in institutions" (Schmidt 2010, 13). One may distinguish three main varieties of what I subsume under II: the paradigm approach (Hall 1993), discursive institutionalism (Schmidt 2010) and constructivist institutionalism (Blyth 2002; Hay 2008). These brands of II mostly differ in emphasis.[29] To summarize crudely, the paradigm approach focuses on how intellectual paradigms may shape public policies, discursive institutionalism emphasizes that the framing of policy debates depends on cognitive and institutionalist structures and constructivist institutionalists highlight how actors use ideas as weapons in political conflicts to attack or defend institutions.

II conceives of agents' interests not as a derivative of context or structure, but social constructions that depend on how actors perceive their surroundings. As material incentives

[29] See Taylor-Gooby (2005) for a juxtaposition of the paradigm argument and discursive approaches. Another prominent approach in ideationally attuned policy analysis is the Advocacy Coalition Framework (ACF) (Sabatier 1988). For a comparison of AFC and Hall's paradigm framework, see Cairney and Weible (2015).

are often hardly objective, actors' preferences are structured by how they understand their position in the economy as filtered by cognitive heuristics (Tversky and Kahneman 1974; Jacobs 2009) and aided by "social constructions" (Hacking 1999) such as economic theories. Hall (2006, 141) puts it eloquently: "Preferences turn heavily on prevailing theories about cause-and-effect relationships and such theories are indispensable in the economic sphere, since we do not see the economy with the naked eye but live in the imagined economies constructed by economic theory." If preferences have an impact on political output, preference formation processes themselves become important explananda, which resonates with the Thomas Theorem: "If men define situations as real, they are real in their consequences" (Thomas and Thomas 1928, 572; see also Blyth 2002, vii-viii).

If sentient actors carry and employ ideas, it begs the question of what ideas are. Liebermann (2002, 697-698) broadly defines them against the backdrop of institutionalism:

> constitut[ing] much of the substantive raw material upon which institutional theory feeds—the goals and desires that people bring to the political world and, hence, the ways they define and express their interests; the meanings, interpretations, and judgments they attach to events and conditions; and their beliefs about cause-and-effect relationship in the political world and, hence, their expectations about how others will respond to their own behavior.

In order to systematize ideas and make them analytically workable, Campbell's (2004, 93-100) typology of programs, paradigms, public sentiments and frames proves useful. Programs are concrete policy prescriptions that outline a course of action for decision makers. Frames serve to promote and legitimize programs. In the background "policy paradigms" (Hall 1993), "belief systems" (Lehmbruch 2001) or "programmatic beliefs" (Berman 1998) function as often-unarticulated assumptions that circumscribe the range of potential programs actors consider and find articulation as the dominant discourse. Public sentiments or "public philosophies" (Campbell 1998) are normative background ideas in the form of national identities and public opinion setting the perimeters of the legitimate. The causal effects ascribed to ideas thus are wide-ranging, from helping actors in uncertain times by providing templates for sense-making, to weapons when wrangling with political opponents, to enabling coalition building[30] as actors regroup behind new ideas and offering blueprints for new institutional arrangements (Blyth 2002, 34-41).[31]

[30] Ideas may function as 'coalition magnets' (Béland and Cox 2016); particularly those that are malleable and ambiguous and thus may mean different things to different people (Palier 2005, 131). Attractive magnetism unfolds because polysemic ideas help reach previously unaware actors or establish common ground between actors who used to have opposing preferences (Béland and Cox 2016, 429). This crucially counters power-resource notions that "the victorious ideas are [...] simply those instrumentally deployed by the strongest actor" (Culpepper 2008, 7).

[31] Carstensen and Schmidt's (2016, 320) triptych of power *through, over,* and *in* ideas provides a useful specification of the causal effects discourse and ideas may exert. Power *in* ideas refers to the effect of ideas

Hall's (1993) policy paradigm framework laid the foundation stone for recent literature seeking to causally disentangle ideas and institutions. Drawing on Kuhn's (1970) theory of scientific revolutions and Heclo's (1974) concept of social learning, Hall devises a heuristic of paradigm shifts. Hall (1993, 279) assumes a largely stabilizing duality of paradigms as cognitive filters: "policy makers customarily work within a framework of ideas and standards that specifies not only the goals of policy and the kind of instruments that can be used to attain them, but also the very nature of the problems they are meant to be addressing." He suggests that a paradigm guides policy in a particular field by defining the overarching goals of policy, laying out the relevant set of techniques or policy instruments used to attain those goals, along with the precise settings of those instruments. A change in settings and instruments (first and second order change) is incremental or parametric in the sense that it adjusts the prevalent interpretative framework within its bounds. Changes in all three components (instrument settings, the instruments themselves and the goals) clock in as a path-shifting third order change of the foundational ideas guiding policymaking. In a process of trial and error marked by Bayesian updating in the face of unresolved anomalies that the old paradigm seems unfit to resolve and social learning, a new interpretative pattern emerges.[32] A shift occurs when advocates are well positioned to institutionalize their favored new paradigm.

The popularity of the concept of policy paradigms owes not least to its simple and intuitive understanding of the role of ideas in setting off processes of policy change where political struggles precede the institutionalization of ideas in policymaking, which then for a relatively long period of time provides stability in interaction between competing interests in society. By distinguishing between periods of 'normal' and paradigm-altering policymaking, Hall (1993) essentially precludes marginally transformative change and recurs to a punctuated model. In combination with the postulate of incommensurability,[33] which transposed from Kuhn (1970) into Hall's (1993) approach, one may even characterize the policy paradigm framework as a punctuated equilibrium approach (Carstensen 2015, 305). In addition to the incommensurability postulate, Hall's (1993) framework has been criticized

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reaching a taken-for-granted status when they are institutionalized as public philosophies. Power *through* ideas pertains to the persuasive ability of actors to convince others to adapt their views through argument or reasoning. Power *over* ideas refers to less deliberative and more instrumental forms of imposing one's ideas and disregarding alternatives through coercion, shaming tactics or silencing.

[32] For a critical discussion of the compatibility of these two logics in Hall's model of change, see Blyth (2013). For a revised version of social learning, see Béland (2006).

[33] By assuming that "each paradigm contains its own account of how the world facing policymakers operates" (Hall, 1993, 280), Hall considers paradigms incommensurable, that is internally homogenous and mutually exclusive.

for being premised solely on exogenous shocks to induce paradigmatic change (Wilder and Howlett 2014).

As a result of these conceptual rigidities, the fourth brand of institutionalism suffers from similar problems as the institutionalist literature it set out to make more political and prone to change. II displays a tendency to view ideas as "settled ordered configurations" (Liebermann 2002, 701) that are perpetuated by mechanisms of ideational path dependence in a literature whose original concern was to account for endogenous change by conceptualizing disequilibria (Hay 2008; Carstensen 2011b). In essentially assuming "ideational punctuated equilibrium" one may lament that "this literature undermines itself by confining itself to claims about the causal significance of ideas to moments of radical uncertainty" (Seabrooke 2006, 9). The actual political battles bringing about paradigmatic changes remain undertheorized (Campbell 2002; Béland 2005). Schmidt (2010, 14) aptly summarizes the problems stemming from the paradigm approach:

> [H]owever evocative the concept of paradigm shift may be as a metaphor for change, the theory itself has problems similar to the HI critical juncture literature. It fails to specify closely enough the process of ideational change, that is, how old ideas fail and new ideas come to the fore, the reasons for ideational change, that is, why certain ideas are taken up rather than others, and the timing of ideational change, since paradigm-theory's emphasis on abrupt shifts in ideas rules out not only evolutionary change but also revolutionary change in ideas that is not abrupt.

Analyses of the German pension paradigm shift attest to this. Many of these works share a focus on the exhaustion of the Bismarckian pension paradigm along the lines of Hall's (1993) framework (e.g. Lamping and Rüb 2004; Hinrichs 2005). While an abraded system opens up political space, this does not explain what may come to fill it. As Blyth (2001, 25) writes: "an act of defection does not automatically reconstitute itself as a new, stable equilibrium. Rather, any new equilibrium has to be defined, debated, and implemented." The exhaustion of the old system is merely a precondition for a path departure and the challenge is to illuminate how actors moved from the weakened old paradigm to the particular new one, that is, where the new ideas came from (Berman 2001). Without specifying how the particular policy solution of choice grew out of the presumed process of social learning and Bayesian updating, the existing studies almost by default provide post hoc justifications of an apparent change in actors' preferences induced by material forces (Hay 2008).

All ideational analyses of the German case submit that an advocacy coalition was required to shape the direction of the "endogenous creeping currents of self-doubt" (Lamping and Rüb 2004, 180). We are at a loss, however, to explain what made the advocacy coalition

successfully advance which particular agenda at what point in time. For example, Bönker (2005, 357) synthesizes 'favorable conditions' for social learning from the paradigm literature, but rather than linking the relevant factors in a causal model, he refers to their interplay and the timing of change as an "analytical problem." Hinrichs (2005) documents the different magnitudes of change preceding the paradigm shift, but struggles to contextualize the actual social learning process. Brettschneider (2009) shows that advocates of pension privatization employed a variety of normative and cognitive discursive strategies (see also Marschallek 2004), yet preference formation processes are omitted by virtue of simply assuming actors to be interested in change (Brettschneider 2009, 189). Leifeld's (2013) discourse network analysis of the 2001 pension reform convincingly corroborates core predictions of Sabatier's (1988; 1998) ACF and neatly pinpoints the timing of positional shifts for individual actors. Yet, as the author admits in part (Leifeld 2013, 192), the underlying preference formation processes are not elucidated by this impressive systemic illustration.

These deficiencies have prompted recent ideational scholarship—analogous to developments in HI—to focus on how gradual change in dominant policy ideas may set in motion significant institutional change (e.g. Seabrooke 2006; Carstensen 2011a; 2011b; Baker 2013; Schmidt and Thatcher 2013). This has brought to the fore fault lines within II with regards to conceptualizing paradigms. Some defend the incommensurability thesis (e.g. Blyth 2013; Princen and ’t Hart 2014) even when aiming for more political explanations of change; for example by considering incommensurability "a political weapon to delegitimize other agents' interpretations" (Matthijs and Blyth 2018, 112). Others have conceptually relaxed the incommensurability assumption so that ideas may simultaneously be compatible with different paradigms (e.g. Daignault 2014). The latter group argues that what matters is whether policy actors perceive paradigms as incommensurable, not that they are logically coherent and thus in any 'objective' sense fundamentally different in their ideational structure (Carstensen 2011b; Wilder and Howlett 2014; Carstensen and Matthijs 2018).[34] Coherence is understood to be a matter of perception here, for the malleability of programs such as neoliberalism adds to their appeal and success, allowing varying interpretations among different actors (Jabko 2006; Schmidt and Thatcher 2013). This offers a view of the ideational topography of a polity as variegated and subject to struggles over what ideational

[34] Note that among those who consider paradigms as more variegated we do find a continuum in terms of how far they take this. While translation scholars allow for comprehensive conceptual leeway for actors to reassemble and reconfigure ideational elements by engaging in grafting in editing, they still emphasize the limits of these exercises set by context (e.g. Campbell 2004; Ban 2016). Bricolage scholars, on the other hand, assume actors to be less restrained when rethinking and creating paradigms (Carstensen 2011a; 2015b).

elements may legitimately inspire policymaking, rather than made up of either pure, coherent policy paradigms or no paradigm at all. Campbell and Pedersen (2014, 11) summarize the underlying perspective: "the shift from one paradigm to another does not involve an abrupt break but rather is an incremental and evolutionary process where bits and pieces of two or more paradigms may comingle in the analysis and policy prescriptions on offer."

Such a looser, messier and more contingent conception of paradigms affords conceptual openings to probe into learning processes and political battles. It has paved the way for ideational bricolage (Campbell 1997; Carstensen 2011a; 2015b). Similar to "substantive bricolage" (Campbell 2004, 69) in HI, ideational bricoleurs recombine ideas to pursue their preferences through "reformulations of policy content and purposes that resonate with ingrained senses of identities and interests" (King and Smith 2014, 960). II perspectives emphasize that such processes require framing on the part of bricoleurs because "the linkages between existing norms and emergent norms are not often obvious and must be actively constructed" (Acharya 2004, 243). This emphasizes the politics of paradigms and ideas. After all, the ideational "substantive raw material" (Liebermann 2002, 697) carried by agents needs to be activated through discourse, "the interactive processes by which ideas are conveyed" (Schmidt 2008, 305).

Strategies of framing to persuade elite decision makers and the electorate shape political conflicts: "advocates of reform need to employ strategies to overcome the skepticism of others and persuade them of the importance of reform. [...] [T]hey must create a discourse that [...] 'shapes the path' necessary to enact reform" (Cox 2001, 475). Successful discourses offer normatively convincing ideas that also seem to be an effective cognitive alternative in the perceived material interest of actors (Campbell 2004, 117; Schmidt 2008, 307). Cognitively persuasive ideas—i.e. 'what works' rather than 'what's right' (Widmaier 2016, 342)—address problems that are widely deemed in need of fixing, demonstrate applicability in solving these and display intuitive internal coherence regarding the proposed mix of concepts and instruments (Schmidt 2002b). In addition to these causal beliefs, principled normative beliefs need to be satisfied through "appropriateness in terms of the values of a given community" (Carstensen and Schmidt 2016, 324). Based on this survey of HI and II we can now turn to the implications of the ideational institutionalist perspective on pension financialization that the thesis advances.

An Ideational Institutionalist Perspective on Pension Financialization

In broad strokes, the thesis contributes to the research agenda of identifying and tracing sources of endogenous institutional change in II and HI. Building on the discursive malleability of policy concepts and an evolutionary understanding of the paradigm-generating process, papers 1 and 3 address debates on bricolage and the incommensurability of policy paradigms. Paper 1 suggests that the incommensurability postulate may be less problematic in technocratic domains such as monetary policy than for wider political fields like financial systems. Paper 3 specifies notions of bricolage by distinguishing between symbolic and substantive bricolage. It zeroes in on foreign pension ideas as framing devices and thus seeks to specify how such ideas factor into local pension politics. As such it corrects for the larger trend of an exogeneity bias, as scholars tend to pay scant attention to the actual (domestic) origins of ideas and institutional change more broadly (Campbell and Pedersen 2014; Carstensen and Röper forthcoming). Without denying the global interconnectedness of polities, the three papers in the thesis share a focus on domestic dynamics of change that evolve 'from within.' It speaks to concerns in institutionalist scholarship about where changes in institutional interpretations originate and how they become enshrined in an institutional configuration.

Given the prime objective of emphasizing the importance of ideas in institutional change, it is not surprising that the pendulum in II has swung more toward constructivism rather than institutionalism. In a rare exercise of self-critique, a prominent II scholar recently admitted that he and his colleagues at times took the ideational agenda too far and, as a result, tended to neglect the causal power of institutions and material interests (Blyth et al. 2016). I consider HI and II perspectives complementary when seeking to explain origins of change, the content of legislations, how preferences and strategies are formed and how these are pursued in political conflict (see also Berman 1998; Lieberman 2002; Béland 2005; 2009; Béland and Hacker 2004; Matthijs 2012; Schmidt 2006; Blyth et al. 2016; Clift 2018). Instead of treating HI and II as competitive approaches, paper 1 aims to uncover potential synergies between both strands. Most importantly, the paper argues that II has yet to engage with the underlying workings of transitions between gradual and rapid change and suggests integrating the notion of tipping points into conceptions of gradual change.

In this vein of drawing on both HI and II, the thesis generally follows Marsh (2009) in pursuing 'thin constructivism.' This is in line with Schmidt's (2006, 250; emphasis added) prompting to "never ask when is it *the cause* but, rather, when is discourse *a cause*, enabling change by reconceptualizing interests, reshaping institutions [...]." Rather than ideas as

cognitive and normative filters themselves, the thesis focuses on the politics of ideas and their discursive utilization in furthering actors' interests and mobilizing others. This perspective on belief-driven preferences and complex political strategies largely corresponds to Jabko's (2006) 'strategic constructivism.' Jabko (2006) views ideas as "crucial resources in the hands of strategic actors who understand their usefulness as rallying grounds for those in pursuit of diverse or even incompatible goals" (8), emphasizes the "complex motivations of [...] political strategy" (26) and expects "actors to creatively exploit the polyvalence of ideas"(40).

I aver that such a thin yet explicitly constructivist perspective carries considerable promise for the study of business power. Consider Hacker and Pierson's (2002) seminal contribution to the business power literature. Their critique of classic stripes of HI is in many ways congruent with the concerns raised by II scholars, as they emphasize agentic maneuvering room and subjectivity in the policy process and zero in on preference formation rather than reducing it to institutional incentives. Their warnings of 'the misspecification of preferences' and 'the inference of influence from ex post correlation between actor preferences and outcomes' are indicative of an ontology that views actors as strategic and sentient. While referring to policymakers' cognition as ideation may merely be an exercise in relabeling, the issue of agenda setting indicates that recent business power literature not only chimes with II, but may benefit from its explicit integration. Hacker and Pierson (2002, 284-285) submit: "Who wrote the legislation, and who provided the expertise needed to formulate specific proposals? [...] These are significant questions, but they necessarily draw attention to the particular choices made within a narrow range of options rather than to the matter of why only that particular subset was considered. [...] We must focus attention on agenda setting and the identification of viable alternatives."[35] How ideas contour the range of alternatives under consideration is the core question of policy paradigm studies (Hall 1993; Jacobs 2008) and how actors seek to actively limit the menu of options to their preferred 'subset' is at the heart of II concepts such as crisis narratives (Hay 1999; Kuipers 2006)[36] or

[35] Fairfield (2015, 9-10) writes in a similar vein: "Close attention to agenda formulation is imperative for assessing to what extent economic elites influence policy decisions because they may be able to shift the set of options under consideration toward their own policy preferences."

[36] Crisis narratives provide "a simplified causal account of a situation described as a crisis [...] to forcefully intervene in institutionalized policy sectors that used to be immune to political agitation" (Kuipers 2006, 12). They serve to "discredit[] the old institutions and veto players, while creating room for the use of new venues and actors in decision making" (Kuipers 2006, 13). Which interpretation of a crisis becomes the dominant narrative is tightly linked to the eventual policy remedy of choice (Hay 1999). A crisis narrative needs to be paired with a forceful case for the superior problem solving capacity of the logic of action that actors are seeking to export, as "the ideas most likely to emerge as common knowledge are those that can simultaneously explain the emergence of crisis and offer a way to overcome the previous institutional failure" (Culpepper 2008, 7).

the power *over* ideas (Carstensen and Schmidt 2016).

Appreciating discursive strategies and ideas as sources of instrumental power may enhance the business interest literature. Hacker and Pierson (2002, 282) deem instrumental power key in determining "[t]he extent to which business influences specific policy choices." But as Fairfield (2015, 17) observes, "they stop short of systematically specifying concrete sources of instrumental power." That constructivist notions may help in overcoming this becomes obvious in Culpepper and Reinke's (2014) important corrective to the study of structural power. They argue that not only instrumental but also structural power constitutes resources that exert influence both automatically and through deliberate mobilizing. These strategies of mobilization, which are largely equivalent to mechanisms of instrumental power, open the gates for constructivist elements, as the authors concede (Culpepper and Reinke 2014, 448-449). In later work, Hacker and Pierson explicitly discuss their openness toward more constructivist lines of reasoning (Béland and Hacker 2004; Hacker and Pierson 2010, 174-175; Hacker and Pierson 2016, ch. 6).

While much of recent business power scholarship is broadly situated in HI (for an overview, see Culpepper 2016), there have been attempts to bridge the study of business and constructivist perspectives (Münnich 2011; Bell 2012). These works, however, largely fall into the category of 'business as cogs,' to which this thesis does not subscribe. Instead, this thesis aims to refine recent scholarship on business power by infusing it with a thin but explicit constructivist perspective. In this vein, papers 2 and 3 indicate that reformulations of a malleable term such as 'pension funds' are key discursive tools for coalition building within capital and to translate strategic adjustments to a changing political environment into political action. This advances the longstanding scholarly debate about plurality among 'factions of capital' by actually problematizing the mechanisms through which business plurality affects political outcomes. By appreciating the political conflicts among 'financial incumbents' and 'financial challengers' especially paper 2 sheds new light on how mechanisms of path dependence may shape the trajectory of pension financialization. From a neo-Polanyian perspective this also challenges longstanding contentions about the role certain capitalists play in the perpetual conflict of 'disembedding movements' and 'reembedding countermovements.'

Taken together, this section has discussed three main ways in which a more political perspective on institutional change may enhance our understanding of pension financialization. First, an appreciation of diverging interests and coalition building among segments of capital paves the way for a more comprehensive and political appreciation of

pension financialization. Second, actors have considerable discretionary leeway when fighting over the shape and extent of financialization. This highlights the importance of delving into their complex preference formation processes and the strategies with which they pursue these. The strategic adjustments to a fluidly changing political environment involve complex anticipatory calculating, altering strategic goals and translating these goals into (discursive) political action. Third, mechanisms developed by scholars in II and HI are crucial to accommodate these complexities of institutional change that may come about rapidly or marginally and often involve recombining old and new ideas and institutional elements.

3. German Finance Capitalism: The Paradigm Shift Underlying Financial Diversification[37]

Germany had the most developed stock market in Europe around the turn of the twentieth century (Krahnen and Schmidt 2004a, 7) with more publicly listed companies than the US in 1914 (Ehrhard et al. 2004, 2). After the banking crisis of 1931, however, German elites grew skeptical of finance capitalism and implemented a regulatory regime that resulted in a financial system increasingly dominated by banks and corporatist structures (Vitols 2001, 12). The German postwar financial system is widely held to be the ideal-typical bank-based and insider-oriented variety, constituting an institutional arrangement that shields firms from short-term market pressures and thus ensures 'patient capital' (Hall and Soskice 2001). Firms and households relied predominantly on bank lending rather than capital markets, often through long-term relationships with a 'house bank' (Deeg 1999; Vitols 2004a). In the corporate network of ownership ties and interlocking directorates with commercial banks at the core ('Deutschland AG'), long-term blockholders were dominant and employees had a voice in corporate decision-making through a dual board structure (codetermination). This network of insiders was underpinned by a legal code that condoned cartels, insider trading, opaque accounting standards and low protection of minority shareholders (Vitols 2004b).

In the 1980s waves of deregulation began to undermine this arrangement. As German stock market capitalization has doubled since 1992 and the corporate network has effectively been dissolved, one is tempted to infer full-blown liberalization. On the other hand, codetermination remains in place and the three-tiered banking system is uniquely stable. The literature has struggled to make sense of this seemingly inconclusive jigsaw, which makes it a laboratory for the study of theories of institutional change. While dominant analyses steeped in the Varieties of Capitalism (VoC) framework provide important correctives to simplistic notions of global convergence, they offer little conceptual leverage to elucidate varied patterns of liberalization (Hall and Soskice 2001; Vitols 2004a). More recent works enhance our grasp of (German) liberalization dynamics by specifying 'bifurcating' paths within finance (Deeg 2005; 2009), potential political coalitions (Gourevitch and Shinn 2005; Höpner 2007) and typifications of banking and finance regimes (Nölke and Vliegenthart 2009; Hardie et al. 2013). Yet, there is an ongoing debate about the nature of the change we see in the German case (Deeg 2010, 304), hinting at problems in causally "linking outcomes with actors and with the process that produced the outcomes" (Peters et al. 2005, 1284). This paper takes Deeg's argument on increasing return dynamics leading to 'bifurcating' paths and

[37] A version of this paper has been published in *New Political Economy*.

financial diversification as its point of departure. For the case of German finance, Deeg (2005) asserts that that a prolonged critical juncture ended in the late 1990s, at which point large banks and firms completed establishing a second path to the traditional model. Building on his concept of bifurcation, Deeg (2009) conceptualizes internal financial diversity based on two ideal typical firms—traditional and international—as ends of a spectrum within which hybrid forms of firm finance can occur. The traditional firm represents small, bank-financed enterprises with concentrated ownership, while international firms operate in accordance to shared global, capital market-oriented norms.

Whilst insightful in uncovering financial diversification, Deeg's (2005) explanation of change and continuity is reflective of the structuralist tendencies in much of the institutionalist literature. It is essentially assumed that exogenous structural forces changed the logic of coordination and thus the behavior of actors who opted to cultivate a new path. It is doubtful, however, that the impetus for change among 'modernizers' and continuity among 'traditionalists' were as unambiguous as implied. Consider, for example, the internal decision-making at Deutsche Bank. Even though the bank was highly profitable up until the early 1990s, its CEO, Alfred Herrhausen, in the late 1980s initiated "the great transformation of Deutsche Bank from a stable but backward-oriented, nationally-focused universal bank with a strong emphasis on credit operations into a modern internationally oriented bank that embraced investment banking activity" (Schmidt n.d.; see also Beyer 2003). Facing intense protest from within the bank, Herrhausen acted in anticipation of structural developments in a context of mere ambiguity rather than in reaction to an exogenous shock (Schmidt n.d.). This example of *the* central actor both at the heart of the Deutschland AG and trailblazer of financial liberalization illustrates the complex ambiguity underlying preference formation and thus the need to take these processes seriously. While Deeg (2005, 174) mentions in passing that "power and ideas enter into the institutional change process," this political 'cultivation' remains undertheorized. An explicit focus on the politics of ideas and discourse may prove complementary for a more complete understanding of the processes at hand.

I argue that only by understanding how marginal ideational change morphed into a paradigm shift and how ideational factors prevented change in certain spheres, can we fully account for the marginally transformative, yet punctuated and compartmentalized liberalization of the German financial system. The German finance capitalism paradigm originated as a set of technocratic reform impetuses of 'financial modernization' such as financial product innovation, developing electronic trading and boosting securities markets. The ensuing parametric changes opened up a new political space that enabled framing opportunities to absorb liberal and leftist discontents with the old paradigm of insider control

in a cross-class coalition. Following interpretative shifts vis-à-vis finance capitalism among key actors, these attached the politically contentious "minority discourses" (Schmidt 2002, 223) of 'bank power' and 'shareholder value' to the emerging political program of finance capitalism. When conservative political forces abandoned their opposition, finance capitalism became the dominant political discourse in 1995. Coincidental with this tipping point, large non-financial firms rapidly adopted shareholder value as their behavioral guiding principle, while smaller firms largely remained on the 'old path.' This polymorphic evolution is reflective of the nature of the discursive shift in the political arena, which omitted certain elements from a complete liberalization to begin with. In addition, ideational and structural factors dissuaded subgroups of implementers from 'financializing.' Finance capitalism became identifiable as the new (compartmental) paradigm when neither the dot-com crash, nor the global financial crisis sufficed to fundamentally delegitimize it.

The argument draws on recent debates in institutionalist theory. Historical institutionalists (HI) and ideational institutionalists (II) have made tremendous headway in explaining endogenous dynamics of institutional change (for an overview, see Campbell 2004). Scholars in both strands increasingly agree that substantive institutional change may come about both rapidly and marginally and often accrues from recombining and reinterpreting prevalent institutions rather than exogenous shocks inducing all-encompassing shifts. Despite overlapping research agendas, untapped potential remains in leveraging their different analytical foci. Summarizing crudely, II's focus on preference formation comes with a more agentic conception of change (e.g. Cox 2001; Blyth 2002; Schmidt 2010), while HI's more structural ontology has resulted in a sophisticated set of mechanisms of change (e.g. Streeck and Thelen 2005; Mahoney and Thelen 2010). The broad claim made in this paper is that when synergistically combined, recent innovations in both strands hold tremendous explanatory leverage to make sense of the *speed* and *extent* of institutional change. Two questions are of particular interest here. What connects marginal changes to more rapid changes of a paradigmatic order? And why do paradigmatic changes not monolithically apply to all pockets of the political economy or institutional domain in question?

The question of speed of change refers to the "temporal structure" of social processes (Pierson 2003, 179). Marginalist HI scholars have identified a dialectical pattern of gradual change oftentimes culminating in abrupt dynamics (Streeck and Thelen 2005, 18; Streeck 2009a, 10; Falleti 2010; Slater 2010). Rather than denying rapid change, they seek to integrate instances of punctuated change into their marginalist framework. Whilst theoretically persuasive and empirically well corroborated, HI is at a loss when seeking to

explain why actors decide to switch their logic or depart from their path at a particular point in time. Given HI's "latent structuralism" (Hay 2008, 61), ambiguity persists as to how, when and why actors move beyond the prevalent institutions, or rather, how they perceive their institutional context (Hall 2005, 376). While II set out to complement HI with regards to these lacunae, the linkages between gradual and rapid change have received scant attention. The questions of when and why marginal change morphs into a paradigm shift and why this may occur through a rapid increase in the speed of change, remain underexplored. Even though tipping points are usually the territory of rationalist models, I submit that they do not necessarily contradict more evolutionary conceptions of change. While processes of (strategic) preference formation tend to be messy and non-linear, the larger pattern of adaptation is still likely to be somewhat punctuated, for once a program dominates the political arena, all actors need to absorb it in some form. HI and II combined provide the toolkit to integrate tipping points into analyses of marginally transformative change.

The synergy in perspectives between HI and II similarly applies to the question of the extent of change. Whilst important correctives to binary accounts of institutional change assuming either continuity or full-fledged convergence, HI's sophisticated conceptualizations of non-hegemonic change come with explanatory limitations. For example, depicting the introduction of a new pension scheme as a new 'layer' may enhance efforts to gauge the magnitude of change and predict the future trajectory in terms of potentially 'crowding out' other layers (or pension 'pillars'). Questions as to *why* or *how* this new layer, path or subsystem in particular came about and why other elements withstood change, however, remain unanswered, as the mechanisms of gradual institutional change are most effective at describing *what* happened (Schmidt 2008, 317). More ideationally attuned approaches acknowledge that not only a multiplicity of institutional repertoires can coexist in a particular institutional space, but also that different sets of ideas and preferences may prevail (e.g. Clift 2018; Carstensen and Röper forthcoming). Combining these perspectives in closely examining the discourse, preference formation and institutional context of different groups or subgroups, promises to generate a more comprehensive understanding of causal pathways toward disparate change.

I make this argument in five steps. First, I present a refined inventory of German financial system change to uncover varying degrees of financial liberalization. Next, I survey the contributions of HI and II to explain the speed and extent of institutional change. Against the backdrop of this discussion I then trace the emergence of the new German finance paradigm beginning in the 1980s up until its confirmation in the aftermath of the global

financial crisis. I conclude by considering the implications of this research and ruminating on financial diversity as a comparative financial advantage.

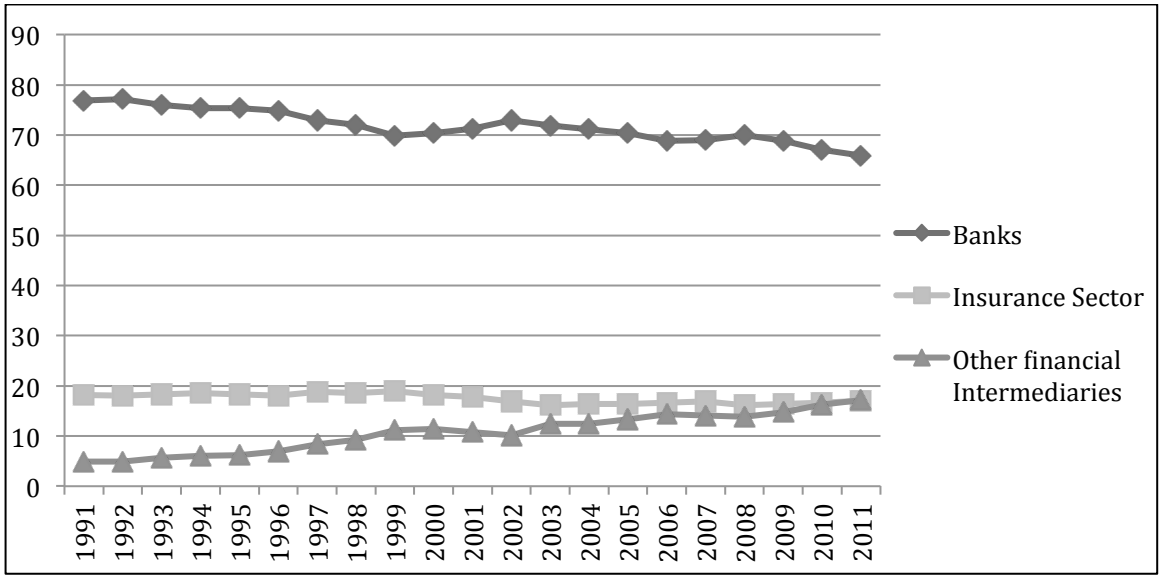
Jigsaw Puzzle: Inventorying German Financial System Change

Most scholars find a critical juncture in the German financial system beginning in the late 1980s or early 1990s, when the German financial system appeared to shift away from its traditional model toward an Anglo-American, market-based variety. Whilst the German political economy generally displayed liberalizing trends, for example in its labor market regime or pension system, changes in the financial system have been characterized as the most extensive (Streeck 2009b; Jackson and Sorge 2012). Conventional wisdom saw Germany's financial configuration transform into an Anglo-American type of system. A stock market rally, the first big hostile takeover of Mannesmann by Vodafone and a new consensus in the belief system subscribing to shareholder value appeared to herald revolutionary change. The aftermath of the burst of the dot-com bubble in 2000, however, cast doubt on this newly formed consensus (Hackethal et al. 2006, 444ff.). Subsequent studies of Germany's financial liberalization are more differentiated regarding the degree of change across different parts of the financial system. In order to quantify the changes that the system has experienced, this section will inventory data on finance pattern, banking and corporate governance (for this tripartite, see also Schmidt and Tyrell 2004).

In terms of finance pattern, the distribution of financial liabilities held by German households and non-financial corporations (NFC) is a basic indicator to estimate financial systems' capital market-orientation. Banks' share of financial assets decreased by 15 per cent between 1991 and 2012, those of other financial intermediaries increased, while insurance companies remained steady (see Figure 1). Both the collapse of the *New Economy* and the recent financial crisis merely halted the otherwise steadily declining share by banks, which refutes suggestions of a reversal toward bank-dominance (Vitols 2001). However, as almost two-thirds of financial system liabilities are bank-held—compared to a quarter in the US in the mid-1990s (Vitols 2005, 2)—the label 'bank-based' still applies. How has this bank-dominance in financial intermediation developed vis-à-vis the size of the stock market? The relative stock market capitalization displays a cyclical trend reflecting the dot-com bubble and the global financial crisis, as is true for the US and France (see Figure 2). All three countries have developed a stock market size on a new, higher 'normal.' In comparison with other advanced political economies, however, stock markets continue to play a lesser role in

Germany.[38] The corresponding financial structure-size ratio[39] confirms that the German system gradually became more market-based in the run-up to both crises (see Figure 3).

Figure 1: Distribution of German Financial System Liabilities in per cent



Source: Deutsche Bundesbank Financial Assets and Liabilities macro-economic time series, own calculations. Data refers to third quarters. Extrapolated from Vitols (2004, 12) as of 2003.

The development of initial public offerings (IPOs) also indicates the absence of a structural shift toward stock markets as the preferred channel to raise capital. The *Neuer Markt*[40] bonanza led to an upsurge in German IPOs from 1997 to 2000, decline until 2002, and zero IPOs in 2003. The numbers picked up again thereafter and plunged in 2008, followed by a tenuous recovery (see Figure 4). The absolute volume of capital raised by newly listed firms of €2.3 billion in 2012 merely levels off with figures from the early 1990s and is dwarfed by the $42.9 billion raised through 146 IPOs in the US in the same year (Kirchhoff 2013; PWC 2013). The importance of bank credits decreased over the past two decades: In 1991, bank lending represented 32 per cent of overall credit, compared with 18 per cent in 2010. Correspondingly, non-depository financial intermediaries like insurance companies more

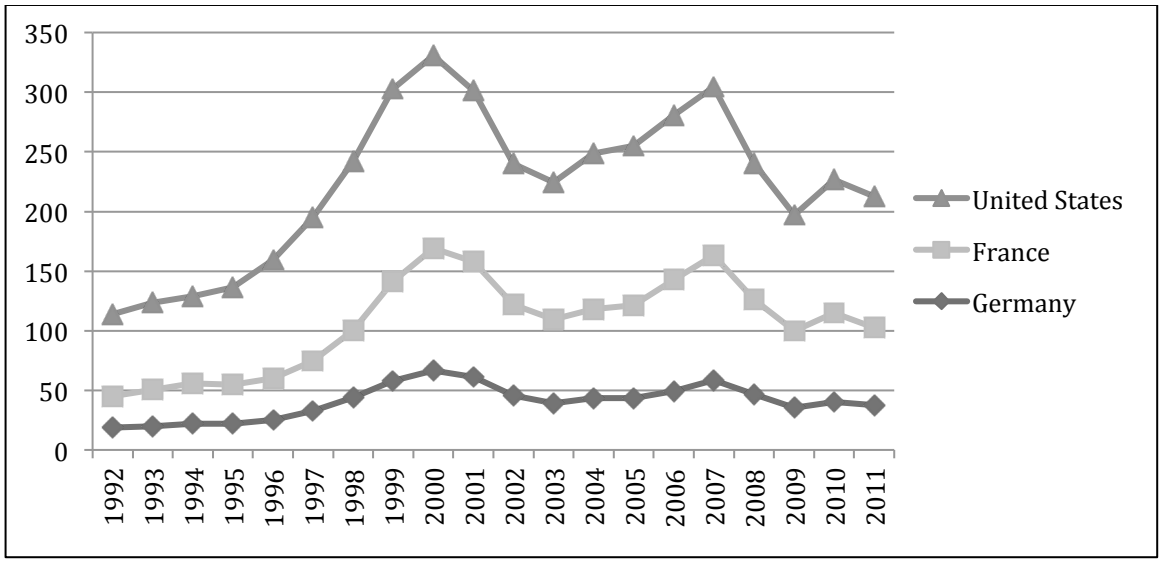
[38] Among the 34 OECD countries, Germany ranked 20th in terms of stock market capitalization in 2010 (OECD World Databank). Except for Italy and Austria, all countries with similar levels of GDP per capita have relatively larger financial markets.

[39] Structure-size is the ratio of stock market capitalization to GDP divided by Bank Credit to GDP and indicates the number of shares outstanding in national stock exchanges. Higher values signify more market-based financial systems (Beck and Levine 2002).

[40] The Neuer Markt was introduced as the fourth segment of the Frankfurt Stock Exchange in 1997 to foster risk capital by applying stricter reporting requirements and minority shareholder protection (Vitols and Engelhardt 2005). Emulated after the US NASDAQ, the Neuer Markt was the "epitome of a new stock market culture" (Krahnen and Schmidt 2004b, 492). Initially, the Neuer Markt exceeded all expectations: the number of IPOs skyrocketed, private households became affected by the myriad of oversubscribed new issuances, and foreign companies started raising capital in Germany (Vitols 2004, 13-14). In 2000 this high tech equities bubble burst and the Neuer Markt was closed in 2003 (Engelhardt and Vitols 2005).

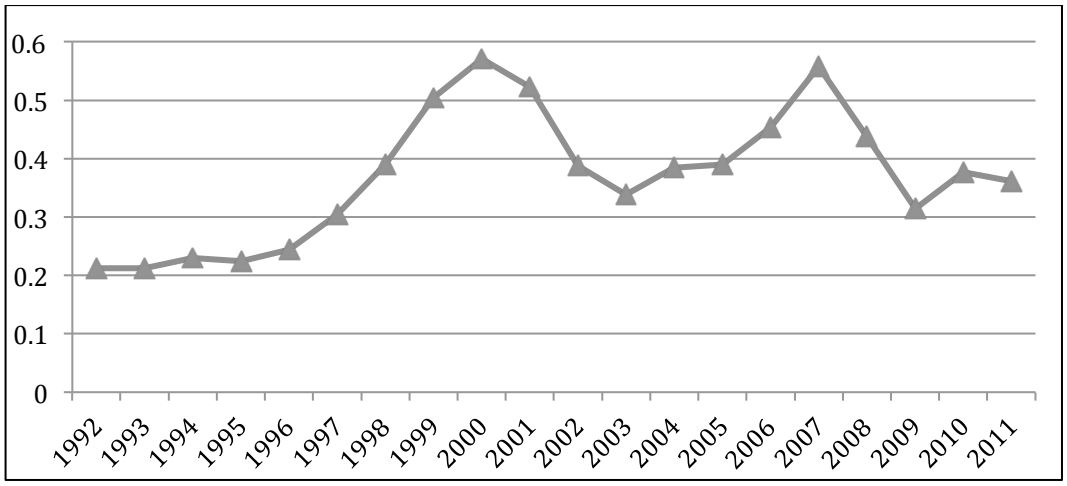
than doubled their share as creditors from 6 per cent to 14 per cent (Bundesbank 2012, 9). Note that these changes did not coincide with an increasing importance of market-based external finance.

Figure 2: Stock Market Capitalization Relative to GDP for Germany, U.S. and France



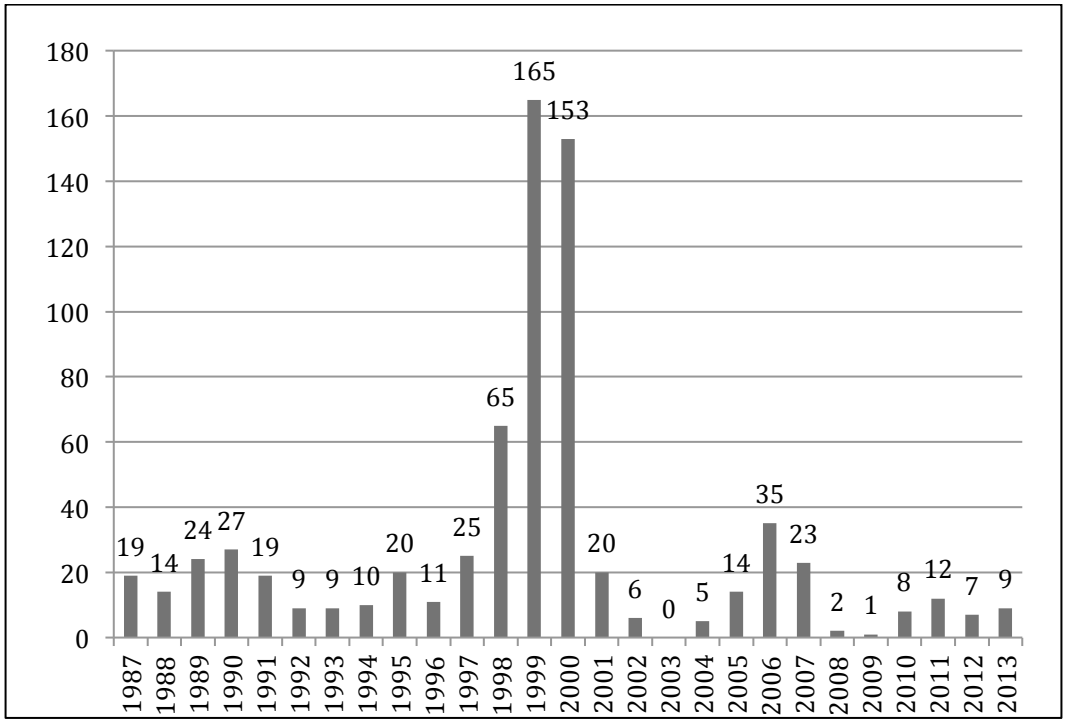
Source: Worldbank, World DataBank, Global Financial Development.

Figure 3: German Stock Market Capitalization to GDP Divided by Bank Credit to GDP (Structure Size) for Germany



Source: Worldbank, World DataBank, Global Financial Development.

Figure 4: Number of German IPOs per Annum



Source: Deutsche Börse

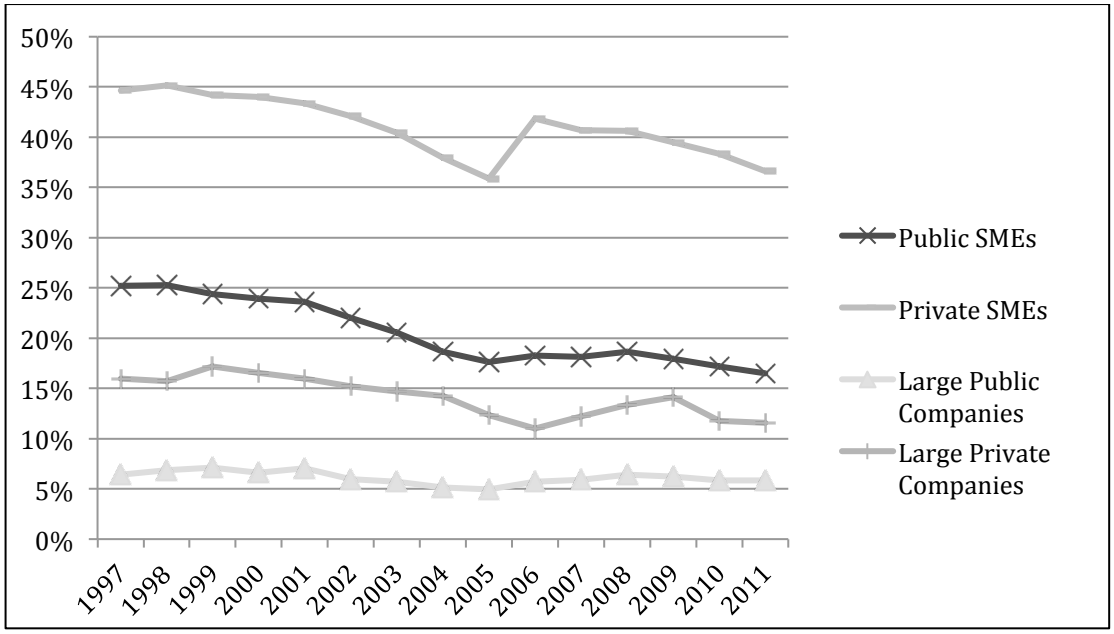
The polymorphic nature of German financial liberalization has been attributed to a bifurcation of finance pattern depending on the size of firms (Deeg 2005; 2009). Albeit intuitively persuasive, this explanation has yet to be corroborated with appropriate data. By dividing NFC's balance sheet size by bank loans based on financial statements as provided by the Bundesbank, I present the most reliable data yet on finance pattern by size and type of company.[41] The ratio indicates the overall importance of bank credit. During the late 1990s, it seemed as if SMEs would begin to tap capital markets (see Figure 5). The reliance on loans, however, demonstrates a persistent difference between SMEs and large firms. The relative reliance on external credit within the four firm categories has not changed significantly. Rather than bifurcating paths, the difference in financing between the *Mittelstand* and large corporations has remained stable.

The relative importance in lending across the German banking system's three pillars—commercial, public and cooperative—is marked by remarkable continuity (see Figure 6). Stable structures, however, do not necessarily mean unchanged practices. Hardie et al.'s (2013) concept of 'market-based banking' draws attention the composition of banks' balance sheets. Funding and investment structures determine whether banks can provide

[41] Companies are divided into four categories: small- and medium-sized public and private firms with an annual turnover of under €50 million and large public and private firms.

patient capital. Given the difficulties in obtaining relevant data,[42] I seek to capture market-based banking through available proxies. Lending to NFCs and deposits by private households are considered the most 'patient' investment and funding alternatives, respectively. When looking at lending relative to balance sheet size, a salient divergence in business models across bank types since the 1980s becomes apparent (see Figure 7). Savings banks and credit cooperatives have loaned continuously at approximately 70 per cent of their balance sheets. Commercial banks on the other hand have decreased lending from two thirds in 1980 to a quarter of their balance sheets after the financial crisis. The level of internationalization is another important characteristic of 'market-based banking' (Hardie et al. 2013, 710). Except for savings banks, all bank types increased lending to foreign non-banks in the run-up to the crisis (see Figure 8). The liabilities side displays similar developments; while all banking categories rely to a significantly lesser extent on savings deposits of domestic households, the ratio of savings banks and credit cooperatives to commercial banks has increased from 3:1 to 6:1 (calculations by the author based on Bundesbank Macro-Economic Time Series).

Figure 5: Loans Relative to Balance Sheet Size by Type and Size of Companies



Source: Bundesbank, own calculations from financial statements of German enterprises. Additional industries included as of 2006.

[42] Hardie et al. (2013) examine the degree to which banks' balance sheets rely on market mechanisms along four aspects: 'marked to market' valuation, securitization, outsourcing to shadow banks and market finance.

Interpretations of the aggregate changes across banking and finance pattern differ. Some authors emphasize continuity as the burst of the Neuer Markt bubble caused a break with liberalizing trends, after which companies and households returned to their traditional savings and investment patterns (e.g. Vitols 2004; Hackethal et al. 2006). Rather than a transformational development, these scholars observe a "modernization of the old system as opposed to a convergence toward a capital market-based system" (Hackethal et al. 2006, 450). Instead of binary convergence or divergence categories, Deeg (2005) asserts a 'bifurcation' where large banks and large firms have completed establishing a second path or a subsystem to the traditional model. There is one path on which SMEs as well as public and cooperative banks continue to follow the logic of voice (relationship banking rather than arm's length transaction-oriented exchanges) and another one with large commercial banks and non-financial firms behaving in accordance to the logic of exit. The concept of bifurcation is congruous with the larger argument that financial liberalization increases internal diversity in nonliberal political economies' firm-level practices (Deeg 2009; 2011). In light of these dissimilar interpretations of Germany's financial liberalization, Deeg (2010, 304) concedes that "there is still no consensus in the literature on whether Germany's bank-based system and coordinated economy have undergone evolutionary or revolutionary change."

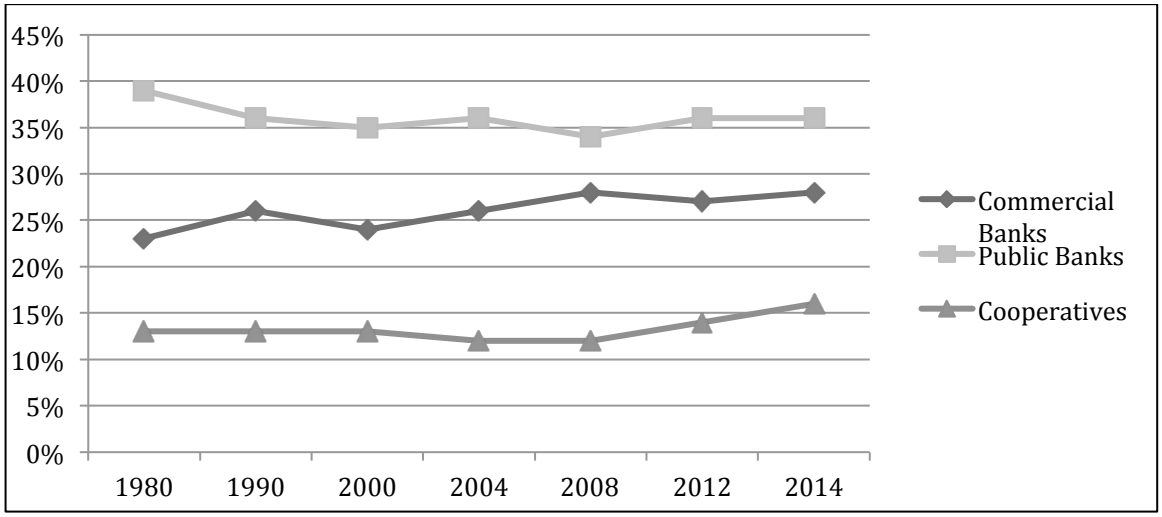
Changes in corporate governance regimes can be encapsulated in companies' ownership structure, which is often considered to be the central determinant of patient capital (e.g. Culpepper 2005). In the German case, the existence of blockholders is of particular importance, as the legal code contains a 25 percent blocking minority (Cioffi 2010, 165). Stock ownership of German firms has become increasingly more international over the past decades. The overall share of foreign holdings has increased from approximately 10 per cent in 1995 to 38 percent in 2008 (Detzer et al. 2012). Throughout the 1990s, ownership concentration was largely stable, with mostly marginal change due to the dissolution of the corporate network (Becht and Röell 1999, Faccioa and Lang 2002, Culpepper 2011).

It was not until the early 2000s that ownership concentration began to meaningfully decrease due to the ascendance of foreign institutional investors (Fichtner 2015). When extending Vitols' (2004b) data on the largest shareholdings of DAX30 companies, one finds that the number of companies with a blockholding stake has decreased from 12 to 10 (see Table 1). The extension also suggests a rising importance of institutional investors, who were the largest shareholders in two DAX30 companies in 2003 and in nine by 2014. Of particular importance in this context is the emergence of 'asset manager capitalism' (Braun

2016) in the aftermath of the financial crisis. In turn, the percentage of supervisory board seats held by bankers fell from 20% to 6.3% between 1974 and 1993 (Deeg 2005, 183), indicating that the 'Deutschland AG' has effectively been dissolved (Monopolkommission 2012). The debate about the extent and nature of change in German corporate governance remains unresolved. Some authors find an increasingly more shareholder-friendly institutional environment (e.g. Jackson 2005; Faust 2011). Others question the degree to which the numerous deregulatory reforms of corporate governance have actually translated into behavioral change and point, for example, to the absence of a market for corporate control (Hackethal et al. 2006; Culpepper 2005).

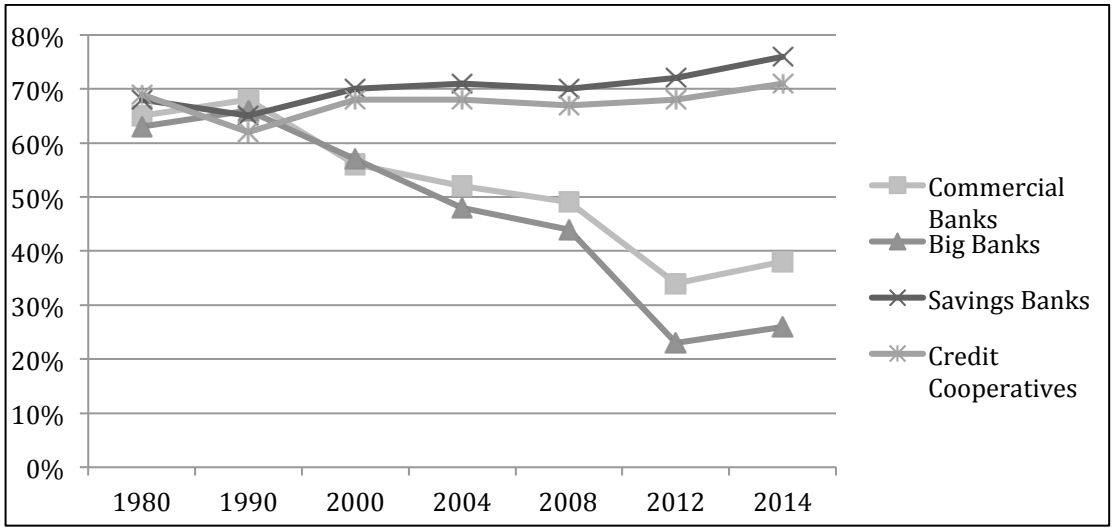
Taken together, this inventory of German financial system change amounts to a picture of seemingly motley data points. Finance pattern and banking practices have become more financialized, but to a limited extent by international comparison and public banks continuously play an important role. The 'Deutschland AG' has been dissolved, stock ownership is increasingly international and dispersed, international reporting standards are mandatory and value-based management control systems have become ubiquitous; insider-orientation appears to be a matter of the past. On the other hand, blockholdings continue to shield many companies, codetermination remains formally untouched and hostile takeovers are rare occurrences. It is hardly surprising that the polymorphic evolution of this complex domain challenges existing theories of change. While more refined data are surely indispensible, the inventory presented above requires theoretical consideration.

Figure 6: Share of Lending to Non-Banks by Type of Bank for Selected Years



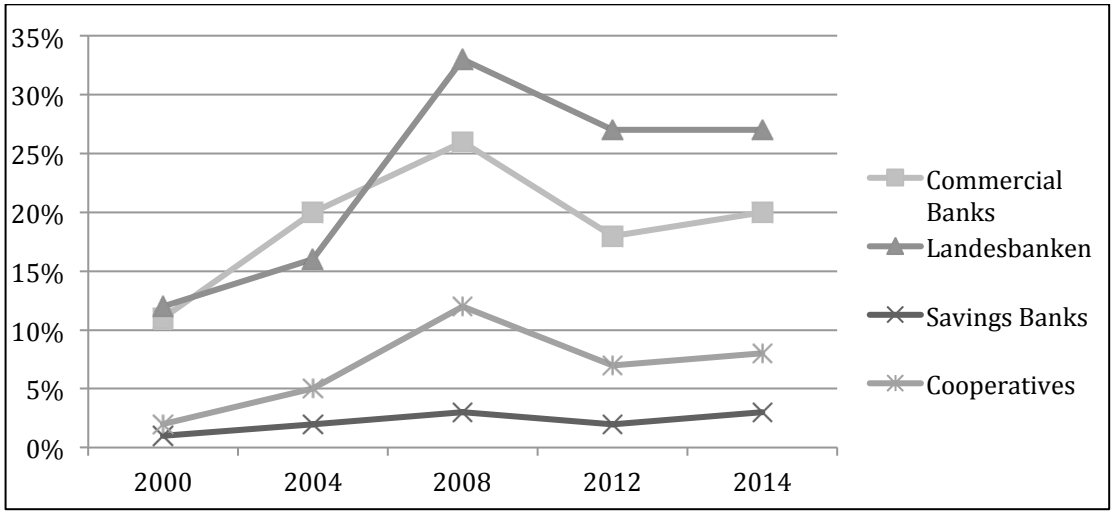
Source: Bundesbank Macro-Economic Time Series, own calculations. Annual data refer to January. Values for 1980 and 1990 are hypothetically Euro-based.

Figure 7: Lending to Non-Banks Relative to Balance Sheet Size by Type of Bank for Selected Years



Source: Bundesbank Macro-Economic Time Series, own calculations. Annual data refer to January. 'Big Banks' are also part of 'Commercial banks,' which also includes regional commercial banks.

Figure 8: Lending to Foreign Non-Banks as Percentage of Total Lending to Non-Banks by Type of Bank for Selected Years



Source: Bundesbank Macro-Economic Time Series, own calculations. Annual data refer to January. Data are available as of 1999.

Table 1: Largest Shareholdings in DAX30 Companies in 2003 (grey shading) and 2014, with Blockholdings* (in scattered shading).

Company	% of shares		Shareholder		Type	
Adidas-Salomon	<5	6.0	---	The Capital Group	---	Institutional Investor
Allianz	18.1	5.1	Münchener Rück	BlackRock	Insurance	Institutional Investor
BASF	9.4	5.1	Allianz AG	BlackRock	Insurance	Institutional Investor
Bayer	5.9	10.0	Allianz AG	Capital Group	Insurance	Institutional Investor
BMW	35	46.7	Quandt Family	Quandt Family	Founder/family	Founder/family
Commerzbank	10	17.2	Assicurazioni Generali S.p.A.	Bundesrepublik	Insurance	State
Continental	5.5	50.0	Barclays Global Investors	Schaeffler GmbH	Institutional investor	Founder/family
Daimer**	12.5	5.7	Deutsche Bank	BlackRock	Bank	Institutional Investor
Deutsche Bank	< 5	5.1	---	BlackRock	---	Institutional Investor
Deutse Börse	5.1	5.0	The Capital Group	BlackRock	Institutional investor	Institutional investor
Deutsche Post	68.8	24.9	Bundesrepublik	Bundesrepublik	State	State
Deutsche Telekom	42.8	31.7	Bundesrepublik	Bundesrepublik	State	State
E.ON	<5	5	---	BlackRock	---	Institutional Investor
Fresenius Medical Care	30.6	35.7	Fresenius AG	Fresenius H. and F.	Founder/Family	Founder/Family
Henkel KGaA	57.8	58.7	Henkel Family	Henkel Family	Founder/family	Founder/family
Infineon Technologies	12.5	10.0	Siemens AG	Dodge & Cox	Company	Institutional investor
Linde	12.6	5.1	Allianz AG	Sun Life	Insurance	Insurance
Lufthansa	10.5	5.4	Allianz AG	Black Rock	Insurance	Institutional Investor
MAN	36.6	75.2	Allianz AG	Porsche/Volkswagen	Insurance	Founder/Family
Metro	55.7	58.2	Beshaim/Haniel	Beshaim/Haniel	Founder/family	Founder/family
Münchener Rück	10.0	10.2	Bayerische H+V	Berkshire Hathaway	Bank	Insitutional Investor
RWE***	5.6	16.2	Allianz AG	RWE	Insurance	Founder/family
SAP	43.0	29.5	Tschira/Hasso/Hopp/Plattner	Tschira/Hopp/Plattner	Family/Founder	Founder/family
Siemens	<5	5.0	---	BlackRock	---	Institutional investor
ThyssenKrupp	16.9	23.0	Krupp Stiftung	Krupp Stiftung	Founder/family	Founder/family
TUI (formerly Preussag)	31.4	25.1	Westdeutsche Landesbank	Sungrebe Investments	State	Institutional investor
Volkswagen****	18.2	20.3	Land Niedersachsen	Land Niedersachsen	State	State
Average*****	25.6	24.9				
Median	17.5	18.7				

Source: Federal Financial Supervisory Authority Database. Data for 2003 from Vitols 2004a.
*Note that a blocking minority can be reached with a stake of less than 25% due to different types of shares.
**Formerly DaimlerChrysler.
***Local private shareholders collectively hold a blocking minority of 25%.
****Two blockholders for 2014: State of Lower Saxony and Porsche Holding.
*****For all companies that had shareholders over 5% and still exist in the same form (also applies to the average value).

Explaining Disparate Institutional Change

In order to make sense of the nature of liberalization or institutional change in general, appreciating its tempo and extent are useful starting points. Following others who have considered HI and II perspectives on political change to be complementary rather than competitive (e.g. Berman 1998; Lieberman 2002; Schmidt 2006), this section explores the potential synergies between both strands when accounting for the speed and extent of institutional change. I will first survey the relevant theoretical toolkit that HI has developed, before I discuss how II may complement this perspective. Foreshadowing the results of this discussion, I submit that while II's more agentic conception of institutional change helps overcome conceptual lacunae in HI that stem from its structuralist ontology, II has yet to engage with the conceptual implications of shifts from marginal to rapid change dynamics.

All three main sub-strands of HI—critical junctures, path dependency and marginalism—engage with the question of marginal versus rapid change in various ways (for an excellent survey, see Mahoney 2010). Pierson (2003), for example, distinguishes broadly between 'slow-moving causal processes' and 'slow-moving outcomes.' Recently, these issues have featured most prominently in the marginalist literature (Thelen 2004; Streeck and Thelen 2005; Mahoney and Thelen 2010). In their seminal work, Streeck and Thelen (2005) assert that the most prevalent type of institutional change is also the most neglected one: potentially transformative gradual change. If institutional change does not hinge on shock events to induce brief periods of heightened agency and rapid punctuated change that are followed by relatively long periods of path dependent continuity (Capoccia and Kelemen 2007), this requires an understanding of institutional change as processes of evolutionary skirmish, where "creative modification and cunning circumvention are a permanent source of disturbance" (Streeck 2009a, 9).

Rather than denying rapid change, marginalists seek to integrate instances of punctuated change into their framework. This begs the question of how rapid and marginal change relate to one another. Implicitly recurring to a tipping point concept of change, Streeck and Thelen (2005, 18) remain vague in this regard when contending that substantive change comes about, when "a multitude of actors switches from one logic to another." In subsequent work, Streeck (2009a, 10) elaborates on this aspiration to bridge punctuated and marginal change:

> gradual change may accumulate over time until a tipping point is reached where an institution suddenly breaks down. In Marxist-Hegelian language, this is when 'quantity' turns into 'quality,' which is one of the defining characteristics of what used to be called 'dialectical' change. The notion of dialectical change may be seen as reconciling Krasner's punctuated-equilibrium model of change with

> the newer idea of gradual transformative change, with the latter slowly accumulating until a tipping point is reached.

Such a perspective on 'threshold effects' is almost by default built into an ontology that tends to assume institutional inertia: "tendencies toward persistence imply that pressures will often build up for some time without generating immediate effects. When some critical level is reached, actors reassess their options or expectations about others' likely actions, leading to relatively rapid change" (Pierson 2003, 184). This dialectical pattern is theoretically persuasive, has been empirically well corroborated and marks the starting point for this analysis of the German financial system (Streeck 2009b; Falleti 2010; Slater 2010; see also Schelling 1978).

HI is at a loss, however, when seeking to explain why actors decide to switch their logic or depart from their path at a particular point in time. What are the causalities linking t-1 and t+1 around the threshold t? What makes for a 'critical mass' in this context? The literature centered on the concept of increasing returns may be instructive in postulating that "[t]he rapid change associated with path dependence occurs when an initial transformation is the right kind of property to activate or flow through the network connections that exist among units [...] [where] high levels of interdependence within a population provide favorable terrain for punctuated change" (Mahoney 2010, 11). While such an avalanche type of network diffusion approach helps explain why change may occur rapidly to begin with, it holds limited purchase to illuminate the transition from gradual to rapid change.[43] As Pierson (2003, 184) submits, much of institutionalist "analysis emphasizes [...] the long, slow-moving buildup of pressure, rather than the trigger itself or the way in which the ensuing tipping process plays out." Beyond rationally responding to material crises, potential political, ideational or other motivating forces that bring actors closer to the tipping point remain underexplored.

Besides the speed of change, its extent ranging from hegemonic to partial change is of crucial importance when seeking to understand institutional outcomes. Out of the mechanisms of gradual institutional transformation that Streeck and Thelen (2005) suggest, 'layering' is the most relevant for the study of non-hegemonic change. Layering works at the

[43] Mahoney's (2010; emphasis in original) characterization of linkages between the critical juncture and the marginalist HI literatures is reflective of this lacuna: "Crises and cleavages are often especially permissive for punctuated change if the system, institution, or organization in question is *close to the point of a phase change*. When this is true, the entity is teetering on the edge and highly susceptible to a threshold effect. In fact, crises and cleavages may be the product of over-time change processes that serve to move systems closer and closer to the threshold of a phase change. The processes that bring the system to crisis can be gradual, even if the resolution of the crisis takes the form of a big and fast change [...]. The result is a slow-moving process that is resolved with a punctuated break."

margins. Political actors introduce additions to the existing institutional setup that are based on different institutional logics. These do not directly undermine the existing institutional setup, but may over time through differential growth fundamentally alter the overall trajectory of the institutional configuration by 'crowding out' the old one (Thelen 2004).

Deeg's (2005) application of layering to financial system change demonstrates its strengths in analyzing compartmentalized change. Based on Pierson's (2000) sequence of path dependence—a critical juncture triggers a novel path, which is followed by a period of reproduction that terminates with a new critical juncture—Deeg (2005) submits that critical junctures are not necessarily induced by abrupt shock events, but can be of evolutionary nature with increasing return dynamics gradually leading to a new path due to endogenous developments within the old path. He conceptualizes novel, sector-specific institutional arrangements as subsystems with dissimilar internal logics (for important contributions in HI accommodating the internal diversification of national models of capitalism, see also Palier and Thelen 2010; Thelen 2014). For the case of German finance, Deeg (2005) asserts that that a prolonged critical juncture ended in the late 1990s, at which point large banks and large firms completed establishing a second path to the traditional model. As these paths can coexist through respectively self-reinforcing mechanisms under different logics, one observes institutional layering. This 'bifurcation' feeds into the larger argument that different logics of behavior can coexist within models of capitalism. Oftentimes in demarcation to the binary postulates of the rationalist VoC approach assuming either continuity or full-on convergence, HI scholars have emphasized heterogeneity across domains and subsections within domains, assuming fluid institutional complementarity, evolutionary institutional change and distinct sectoral and regional dynamics (e.g. Crouch 2005; Streeck 2009b; Lane and Wood 2009).

Given its latently structuralist ontology, however, HI struggles to explain why a particular layer, path or subsystem was chosen over others (Schmidt 2008, 317). HI's explanatory lacunae with regards to both the extent and speed of change stem from its ontological core postulating that it is collective pressure through which institutions structure actors' behavior (Streeck and Thelen 2005, 16). In the absence of a more individually agentic conception of preference formation processes, "the incremental change approach remains faithful to more static materialist interests suppositions" (Hemerijck 2013, 88) and thus struggles to fully account for actors' motivations (Liebermann 2002, 697; see chapter 2 for a more extensive discussion).

Despite the central role attributed to (re)interpretation (e.g. Thelen 2004; Hacker

2004; Jackson 2005), HI mostly recurs to ideas as underspecified auxiliary factors by "smuggling [in] a rather large ideational elephant" (Blyth et al. 2016, 158; see also Blyth 2002, 19ff.; Carstensen 2015, 306). Following the 'ideational turn' (Blyth 1997) in CPE, a vibrant strand of institutionalist literature has emerged that shares a fundamental belief in the "transformative power of ideas and discourse" (Schmidt 2008, 305; e.g. Hall 1993; Hay 2001; Blyth 2002; Campbell 2004; Schmidt 2010).[44] Ronen Mandelkern captures the fundamental explanatory difference between HI and II: "when historical institutionalists analyze gradual change processes they regard agents' interests and goals as given. Therefore, they don't need ideationalists, unless they ask 'why is it that agent x defines her interest in a certain way?'" (personal communication with author, August 8, 2017). In this vein, the synergic potential of II vis-à-vis HI stems primarily from its analytic focus on cognition, human agency and preference formation rather than fundamental ontological differences (Blyth et al. 2016). Let me now explore these complementarities with regards to the questions of the speed and extent of change.

In his seminal work on policy paradigms, Hall (1993) distinguishes first, second and third order changes, with the latter constituting a paradigm alteration and the former 'patching' the prevalent interpretative framework within its bounds.[45] Clearly a heuristic interpretative tool, this hierarchical ordering is widely used to gauge the extent of change in answering basic questions such as "when is a change big enough to be labeled as a system shift?" (Hinrichs and Kangas 2003, 575). In terms of dynamics of change leading from one interpretative pattern to another, Hall suggests a process of trial and error marked by Bayesian updating in the face of unresolved anomalies and social learning. As "the most influential and widely used means of theoretically integrating ideational influence with other well-known determinants of policy behavior" (Wilder and Howlett 2014, 183), Hall's framework paved the way for punctuated conceptions of change in the II literature. By dichotomizing periods of 'normal' and paradigm-altering policy-making, Hall tends to underspecify marginally transformative ideational change (Carstensen 2015). As a result, ideational institutionalists often trace change back to periods of acute crisis in quasi-punctuated models and remain silent on the origins of ideational change in cases of what one may refer to as non-severe uncertainty.

Such rigidity is exacerbated by the assumption of internally homogenous and

[44] In order to make ideas analytically workable, Campbell's (2004, 93–100) typology of programs, policy paradigms, public sentiments and frames proves useful (see chapter 2 for a more extensive discussion).
[45] First-order magnitude changes are reactions toward altered circumstances, while second-order means that different instruments are used to attain the same goal. For a third order change the overall policy goal needs to change.

mutually exclusive paradigms. Whereas this incommensurability postulate might be less of a conceptual problem in technocratic domains such as monetary policymaking (Blyth 2013), it constrains the study of wider political fields such as finance, especially when broadly defined as the "banking system, securities markets and elements of the corporate governance system" (Deeg 2005, 169). Analyses need to accommodate the characteristics of the policy domain under investigation; for example, in contrast to monetary policymaking where a single institution or agency essentially both dictates and enforces the rules, financial systems are marked by discrepancies between formal and informal change (Culpepper 2005).

To enable the paradigm approach to capture gradual and non-wholesale change, scholars have loosened the concept of paradigms (e.g. Daignault 2014; Carstensen and Matthijs 2018). A more fluid understanding of paradigms creates conceptual leeway for actors to affix new elements to the existing paradigm, give certain existing ideational elements within the paradigm relatively more or less prominence in actual policymaking and engage in "inter-paradigm borrowing" (Hay 2011, 22). Such bricolage refers to the reconfiguration of "institutional principles and practices in new and creative ways" (Campbell 2010, 98)[46] and requires framing to recombine and reactivate "minority discourses" (Schmidt 2002, 223) or "[s]ubdominant institutional logic[s]" (Morgan and Quack 2005, 1780).

This focus on preference formation, (re)interpretation and framing potentially enables a deeper understanding of why and how actors attach particular minority discourses like 'bank power' and 'shareholder value' to an emerging political program like finance capitalism; and in turn, why certain elements of the status quo are not put into question and/or changed. Combined with II heuristics that aid efforts to make sense of the substantive impact of new policies and instruments, II holds the potential to enhance efforts in HI to capture the politics of partial and marginal change. The linkages between gradual and rapid change and thus the speed of change, however, have remained largely unexplored in II. The question of when and why marginal ideational change turns into a paradigm shift and why this may occur through a rapid increase in the speed of change, is largely un-trodden territory. To the best of my knowledge, the only such endeavor is Culpepper's (2005) concept of a 'joint belief shift mechanism.'

Culpepper views the evolution of path-shaping events (in financial systems) as a sequenced recalibration of actors' perceptions of prevailing institutions. When key actors begin to question the institutions in place—triggered by a critical event—their skepticism

[46] Bricolage is a concept that is evoked by both historical and ideational institutionalists (for an overview, see Campbell 2004, 69ff.)

proliferates and leads to a period of experimental orientation. At the end of this period, the belief shift mechanism either leads to a new path or the initial skepticism vanishes into a return to former behavioral patterns. Culpepper (2011, 36) elsewhere concludes for Germany to remain a "paradigmatic example of a passive market for corporate control with stable patient capital." He argues that the hostile takeover of Mannesmann by Vodafone—though unprecedented in volume and managerial aggressiveness—failed to trigger a 'joint belief shift mechanism' through which managers would begin to engage in more ruthless strategies (Culpepper 2005).

Culpepper's framework opens up a potentially rich research agenda. He persuasively theorizes the duality of the relational and individual dimension of preference formation processes that may underlie cascading shifts, during which "individuals form their own new perceptions about models of the world, but their own perception depends partly on whether they think others have the same perceptions" (Culpepper 2005, 182). This crucially introduces the importance of signaling and beliefs among actors as explanatory factors of punctuated patterns and the "social-relational character of institutional change" (Culpepper 2005, 181). Despite all its merits, Culpepper's binary and fundamentally rationalist framework hinges on a narrow concept of path-shaping events. This leaves institutional change unlikely to occur and implicitly denies incremental change between game-theoretic equilibria (Schmidt 2010, 9; see also Etienne and Schnyder 2010, 18ff.).

What is missing is an II framework to capture the transition from marginal ideational change to non-hegemonic, dynamic belief shifts in the absence of an exogenous shock. Actors re-evaluate their context based on the change they anticipate; this is a process that pertains both to their own sense making vis-à-vis the emerging program and their 'fictional expectations'—i.e. "present imaginaries of future situations" (Beckert 2013, 325)—about "anticipated reactions" (Hacker and Pierson 2002, 283) and alterations in the contextual opportunity structure. During this belief formation, the number of actors in support of a program affects its likelihood to persuade others (Hedström and Swedberg 1998, 21), which makes 'cascade' (Laitin 1998) type of rapid dynamics likely. The underlying intuition resembles diffusion arguments, for once a program reaches a threshold of dominance, "others will come to take the policy for granted as necessary and will adopt it whether or not they have need of it" (Dobbin et al. 2007, 454). Whereas this paper does not develop a conceptual framework of belief shifts that comprehensively accommodates these dynamics from an II perspective, the discussion of potential complementarities between recent HI and II innovations above and the subsequent case study combined shall provide a first contribution in this vein.

The Politics of the German Financial Paradigm Shift

To demonstrate the analytical usefulness of the theoretical perspective developed above, let us now turn to its argumentative application to the case of German financial liberalization. While historical institutionalists are mostly interested in the institutions and behavioral pattern that constitute finance capitalism as an economic order (e.g. Vitols 2002b; Cioffi and Höpner 2006), an ideationally attuned perspective also requires an understanding of finance capitalism as an economic paradigm. If Hall (2006, 141) is right in contending that we live in "imagined economies constructed by economic theory," financial politics can be considered a prime example: "How one interprets financial market activity and chooses a policy stance regarding the regulation of such markets depends on the underlying economic theory that one explicitly, or implicitly, utilizes to explain the role of financial markets in an entrepreneurial economy" (Davidson 1999, 147). It therefore seems pertinent to briefly juxtapose the finance capitalism and patient capital paradigms in a stylized fashion.

The intellectual body of knowledge underlying the finance capitalism paradigm affirms the superiority of shareholder- and capital market-oriented practices. It comprises a set of economic theories ranging from portfolio theory (Markowitz 1952; Sharpe 1964), to efficient markets theory (Fama 1965), the market for corporate control (Manne 1965), agency theory (Jensen and Meckling 1976) and shareholder value theory (Rappaport 1986).[47] At the core of the finance capitalism paradigm is a steadfast belief in undistorted capital markets yielding superior results by means of, for example, diversifying portfolios or maximizing shareholders' returns rather than to strike a balance between the interests of various stakeholders. The (German) patient capital paradigm, in contrast, rests on a set of normative and material beliefs in self-control, informal corporatist and inter-capital coordination and long-term strategies.[48] Experiences with "mild cartel-like arrangements" (Hardach 1981, 148)—commonly with banks as the nucleus in a triple role as owner, lender and underwriter—shaped an economic paradigm that tended to favor voice (and loyalty) over exit, in Hirschman's (1970) terms. In practice these two paradigms are neither antithetical, nor can they readily be implemented by a relatively small network of actors or a

[47] For overviews, see MacKenzie (2008) and Bernstein (2007).

[48] Contrary to Milton Friedman's (1970) assertion that businesses' sole social responsibility be to increase profits, German firms were considered social institutions with moral obligations vis-à-vis stakeholders and the public at large. Illustrative of this view, a court dismissed a case brought against the Co-Determination Act of 1976 arguing that managers must not only protect the interests of the owners. This is in line with the tradition of the Stock Corporation Act of 1937, which stipulated that companies be managed to the "welfare of the company and its employees and to the general benefit of the people and the Reich" (Beyer and Höpner 2003, 191). It is worth noting that a similar view prevailed in the US for much of its corporate history (Gomory and Sylla 2013) and that ideas of 'corporate social reporting' were first conceived in the US, but first adopted in Germany (Antal et al. 2002, 25).

single government agency. Instead, selective adoption of, for example, shareholder value-oriented practices in combination with non-liberal components is the norm (Deeg et al. 2016). This suggests considerable discretionary leeway for actors when fighting over the shape and extent of financial liberalization.

To trace how, when and why actors moved from the old patient capital to the new finance capitalism paradigm, or rather recombined elements from both, I will track changes in preferences and interpretations vis-à-vis prevalent institutions and finance capitalism among key actors. To make the analysis feasible, I focus on banks, which were both the central defenders of the old system and crucial protagonists of financial liberalization, and policymakers representative of the three dominant political camps (liberal, conservative and Social Democratic). To gain a rich understanding of preference formation processes, consulting a wide range of sources is imperative (George 1979). This analysis draws on primary and secondary sources, including parliamentary debates and various newspaper archives. It employs what Beach and Pedersen (2013, ch. 2) term 'explaining outcome process tracing.' As such, the case study illustrates the importance of ideas, whilst making no claim of isolating their individual causal power. To structure the case study, I have developed five stages of a stylized paradigm shift that are informed by existing theories of institutional change: the impetus for change, the development of a political program, the adoption of this program as the new paradigm in some parts of the domain, the non-adoption in other parts and the confirmation of the new paradigm in times of crisis. The following brief historical reconstruction of the German case along the lines of these five stages cannot be dispositive, but usefully suggestive.

The Impetus: Financial Modernization

Ideas of change often emerge as a reaction toward perceived insufficiencies of the prevailing context. Berman (2001, 234) puts it aptly: "Dissatisfaction can stem either from an exogenous shock [...] or from gradual yet increasing disillusionment and the slow delegitimisation of existing beliefs. Both can serve to open up a political space into which new ideas can be inserted." In the case of German financial liberalization, this impetus can in particular be traced back to commercial banks facing an altered competitive environment. Coordinated finance became contested terrain after the 1974 recession. Commercial banks were increasingly under pressure as large corporations began relying more on internal finance and savings banks had started competing more aggressively over lending to SMEs and by transforming themselves into universal banks (Esser 1990). In addition, the insurance

industry attracted a growing share of private wealth (Röper n.d. a) and liberalization efforts by the EU began to subject German banks to more international competition, while corporations started turning to foreign banks for financial services (Deeg 1999). Throughout the 1970s, 1980s and 1990s the German banking sector experienced increasing competition, as for example indicated by a decline in interest spreads (Detzer et al. 2012, 143ff.).

Instead of immediately turning toward a more Anglo-American business model aiming at more fee-based rather than traditional interest-based income, commercial banks looked for alternatives within the old institutional arrangement; for example by regaining ground in lending to SMEs (Deeg 1999, 80-87). Albeit clearly material-interest driven, a "cognitive search for solutions to real-world problems" (Culpepper 2008, 1) preceded large commercial banks picking up a set of ideas that one may refer to as financial modernization. Such policy ideas of financial modernization revolving around financial product innovation, electronic trading and boosting securities markets were by no means the only or an obvious choice in reaction to structural imperatives. Consider, again, the example of the internal decision-making at Deutsche Bank, by far the market leader and pioneer in terms of financial modernization, based on the in-depth account by Schmidt (n.d.):

> Shortly before 1990, the world around Deutsche Bank was changing dramatically and faster than Deutsche Bank itself seemed able to respond. There were essentially two reasons for this difficulty. One was, paradoxically, the success of Deutsche Bank: There were, at that time, no obvious signs that would have signaled a need to change. Continuing doing business as in the past ten or twenty years seemed not to be such a bad idea. Secondly, the distribution of power within the bank was such that those who had power also had a very strong interest in maintaining the old business model and access to its levers. These included many of the top executives, notably the 'regional barons' and the Board members in their capacities as 'godfathers' of the regions they represented. This was the situation in which Alfred Herrhausen [...] started to initiate [...] the great transformation of Deutsche Bank. [...] Herrhausen's vision was that of a much more flexible bank, a bank that is led by a powerful center and can therefore be more flexible, a more international bank and a bank that would be a universal bank in Europe, in which capital market-oriented or investment banking-type business would play a much larger role and which would be represented globally in all mayor financial markets. Behind this vision was the firm conviction that continuing to play the role that Deutsche had played so successfully for the past years would not suffice to meet the new challenges of the 1990s and later in the global arena. [...] [T]he idea of transforming this vision into corporate policy raised opposition: More or less openly, the question was raised 'Why should we rock a boat that is sailing fast and smoothly?' [...] Many staffers felt threatened by Herrhausen's reforms and even more so his plans to go still much further in reshaping the bank. They feared that a reorientation would reduce their status and the value of the knowledge and personal relationships they had built up over many years.

The example of Deutsche Bank underscores the complex and contested nature of banks' preference formation vis-à-vis finance capitalism. Reacting to domestic and global

developments, German banks began to push for financial modernization. Changes in international capital markets loomed large when Rüdiger von Rosen was hired as the new chief lobbyist for the Association of German Stock Exchanges in 1986 and the main stipulation was to "give the answer to the British Big Bang" (von Rosen interview). High transaction costs and a federalist regulatory structure of self-governance had to be overcome (Deeg and Lütz 2000). This was largely uncontroversial within the banking community (except for traders and regional stock exchanges) (Beyer and Höpner 2003). Commercial banks readily garnered support from bureaucrats at the Federal Ministry of Finance who had found themselves disbarred from international forums; de-facto legality of insider trading and regulations strongly favoring insider shareholders were at odds with the agenda of international policymakers (Lütz 2002). The recession between 1979 and 1982 had further delegitimized what was increasingly perceived as an overreliance on bank and internal finance in light of a wave of corporate bankruptcies (Story 1996, 385). Corporate Germany's 'equity problem' only became more severe throughout the 1980s (Deutscher Bundestag 2006, 14).[49] Against this backdrop the 'Frankfurt coalition'[50] set in motion the marginal process of financial liberalization (Deeg 2005, 178). The ideas of financial modernization found legislative expression in the German Stock Exchange Law in 1989 and the First Financial Market Promotion Act in 1990 that, inter alia, re-introduced futures exchanges (F.A.Z. 1988).

The Second Financial Market Promotion Act of 1994 prohibited insider trading for the first time. The changing position among commercial banks vis-à-vis this issue is instructive to understand banks' shift in preferences beginning in the late 1980s. After voluntary recommendations by the European Commission from 1977 had failed to achieve the desired results, discussions about an EU-wide anti-insider trading directive began to shape up again in 1987. German organized business initially showed a united front against such efforts. An ad-hoc committee made up of banks, insurers, chambers of commerce and non-financial business submitted a statement to the Ministry of Finance arguing that the "principle of voluntary self-regulation" best ensures the functioning of capital markets and investor protection in Germany (Meyer-Horn 1993). A sentiment that many shared, as bank lobbyist von Rosen recalls: "During the annual meeting of the Hessian banking association in late 1987, early 1988 I demanded an insider law for Germany and those bankers screamed and raged to an extent that I thought they would kick me out" (von Rosen interview).

[49] The average equity ratio of German firms dropped from about 30 percent in 1965 to 18.5 percent in 1983 (Schwebler 1985, 350).
[50] Comprising of the 'big three' commercial banks—Dresdner Bank, Commerzbank and Deutsche Bank—the state of Hessia, the association of foreign banks and the Bundesbank (Lütz 2002).

Von Rosen, however, received backing from Deutsche Bank banker Rolf Breuer and around this time voices diverging from the insider protection stance emerged in the ranks of various commercial banks. Several large commercial banks in fact preempted formal change by issuing self-binding compliance guidelines and investigating potential offenders internally through so-called stock-watch-programs (F.A.S. 1992). Aspirations to internationalize clearly conflicted with the German "wild west stock market" (F.A.Z. 1993). A series of insider trading scandals domestically undermined the legitimacy of the system in place (The Independent 1994). In addition, international pressure for change was mounting in the early 1990s. Newsweek found it to be a "remarkable fact that a member of the EC still has no anti-insider trading law" (as cited in Der Spiegel 1992) and advocates of London as the location for ECB headquarters pointed to the missing insider legislation when making the case against Frankfurt (F.A.Z. 1992). In 1989 the EC passed the insider directive, which was to be implemented by member states by 1992. It took until 1994 for the law to be passed, making Germany the last OECD country to adapt anti-insider trading legislation (Pfeil 1996). The Independent (1994) at the time reported: "Germany finally outlawed insider trading with the passage yesterday of a law designed to raise its tarnished finance market practices to international standards."

These dynamics are indicative of a complex change in preferences among banks and financial policymakers in the late 1980s and early 1990s as a reaction to and in anticipation of a mix of domestic and exogenous developments. Financial legislations, such as the German Stock Exchange Law in 1989 and the First Financial Market Promotion Law in 1990, were passed almost unanimously and 'apolitically' without much meaningful inclusion of stakeholders outside the financial sector (including the rest of organized business). Even though the 1994 and 1998 Financial Market Promotion Acts meant a break with aspects of the old insider system—inter alia by mandating a centralized supervisory agency and prohibiting insider trading—the reforms were widely perceived as a mere necessity of modernization, a technical update within the logic of the old paradigm with no apparent political antagonist (Beyer and Höpner 2003).[51] That is why at this stage the push for financial modernization did not yet constitute a political program. Consensual in nature and parametric in dimension, financial modernization still crucially opened up political space for paradigmatic changes.

[51] This is not to say that there was no infighting among 'factions of finance' over the design and extent of financial liberalization with regards to issues beyond financial modernization, including pensions (Röper n.d. a).

Financial Modernization Morphs into Finance Capitalism

Technocratic ideas may morph into an increasingly complex policy prescription when actors of diverse backgrounds seek to attach visions, beliefs and interests that they perceive to be compatible in an exercise of bricolage. Financial modernization opened up space for technocratic ideas to turn into a political program by altering the opportunity structure for actors to bring "minority discourses" (Schmidt 2002, 223) to the fore. Marginally fading skepticism vis-à-vis capital markets provided connecting points for cross-ideological framing. In order to understand how financial modernization paved the way for bricolage that led to paradigmatic changes in the corporate governance regime, it is auspicious to trace how the minority discourse of 'bank power' moved from the margin to the center of political debate.

Contentious debates across the political spectrum about the powerful position of banks in Germany's political economy have been a recurring, "cyclical phenomenon" (Weber 1995, 196) since at least the 1960s. Especially the conservative parties (CDU and CSU) had long been warding off demands to dissolve the 'Deutschland AG' in the form of ownership networks and interlocking directorates with banks at the core. Der Spiegel's 1971 cover story *Uncontrolled Power: Banks in Germany*, for example, caused a public outcry and already in 1973 chancellor Willy Brandt wondered "whether it is wise [...], unlike most Western states in Europe, to let banks also be owners of large corporations" (Der Spiegel 1973). Yet, except for minor re-regulations nothing much came of it politically, not least because banks successfully fended off regulatory initiatives by advocating self-regulation (Lütz 2002, 284ff.). The coalition of critics of banks' industrial ownership ranged from leftwing Social Democrats to liberal zealots; the former lamented the power it gave to "overlords of industry" (Esser 1990, 18), whereas the latter "interpreted such institutions as welfare-reducing rent-seeking arrangements" (Beyer and Höpner 2003, 192). It was not until Social Democrats reinterpreted their anti bank power stance that the shared criticism of bank power became politically deployable.

The laments of monopolies and cartels, especially 'bank power,' as detriments to democratic economic systems is a longstanding position of the German left; most prominently in the work of Rudolf Hilferding (1910)—the "theoretical leader of German social democracy" (Berman 1998, 211) at the time—, which has been referred to as the fourth volume of *Das Kapital* (Esser 1990, 18). Prominent Social Democratic economic policymakers during the 1980s—for example Wolfgang Roth, a political descendant of Hilferding—lamented 'bank power' in predominantly normative terms of injustice in terms

of "opaque power" (Die Zeit 1986) and demanded a more dispersed ownership structure (F.A.Z. 1989, 7). In the early 1990s, 'modernizers' in the SPD such as Hans Martin Bury appropriated the issue of 'bank power' and changed its framing. They basically stripped it off its normative baggage and zeroed in on the detrimental economic effects of banks' position in terms of distorting the functioning of capital markets and Germany's tarnished reputation with foreign institutional investors, lack of competitiveness and inability to raise venture capital (e.g. Bury and Jens 1995; Bury and Schmidt 1996). 'Bank power' thus remained part of the Social Democratic economic platform, but was transposed to the context of financial liberalization and the quest for, inter alia, more corporate transparency: "SPD rhetoric targeted concentrated bank and managerial power, and framed reform in terms of protecting *shareholder interests*, rather than those of employees who formed its traditional base of electoral support" (Cioffi and Höpner 2006, 478; emphasis in original).

Social Democrats were able to frame finance capitalism as an economic rationale that did not counterpose the normative foundation of the 'social market economy' leitmotif. In light of vanishing skepticism vis-à-vis capital markets, we observe "a conversion of ideas [...] that redefined what it meant to be leftist in the context of an organized economy" (Höpner 2007, 411). Whereas "[i]n many ways, contemporary finance capitalism is the antithesis of Hilferding's original conception" (Cioffi and Höpner 2006, 493), it still provided the ideational "raw material" (Lieberman 2002, 697) for this reinterpretation. Finance capitalism's ability to absorb liberal and socialist discontents vis-à-vis 'bank power' explain why it constitutes a 'coalition magnet' (Béland and Cox 2016) and why its political moment had come. Financial modernization provided the connecting points for fundamentally socialist ideas to become compatible with liberal, pro-competition positions. Actors converged on finance capitalism with varying motives. After the SPD and FDP did not manage to agree on any meaningful measures to curtail 'bank power' when in a coalition government between 1969 and 1982 (Esser 1990, 24), by 1997 they collaborated on this even though the FDP was in government and the SPD in opposition.[52]

One could have expected organized labor to mobilize against shareholder-oriented practices both on the political and firm level. After reacting hostilely when the shareholder value mantra first entered public discourse, however, labor unions became largely accommodative and even grew convinced of parts of finance capitalism's underlying economic rationale. While deregulatory reforms make hostile takeovers more likely,

[52] One example is that minister of economics of Rhineland-Palatinate, Rainer Brüderle (FDP), pushed for further liberalizations of the KonTraG corporate governance legislation through the Bundesrat with the SPD's support.

extended opportunities of tapping financial markets were seen to increase the chances of job-creating investments (Küller 1997). Driven by the fear of losing the global battle for competitiveness, labor became an active consenter to the communicative rather than the operative adoption of shareholder value (Höpner 2003, ch. 5). Unions looked to strengthen their position within finance capitalism through stronger supervisory boards by means of more transparency and management accountability (Cioffi and Höpner 2006). They demanded the introduction of international accounting standards to make away with opaque German reporting standards.

Importantly, the fundamentally nonliberal institution of codetermination was never seriously put in question and no relevant actor sought to attach it to the finance capitalism program (Hackethal et al. 2006; Jackson 2005; Faust 2011; Jackson and Sorge 2012). Vitols (2004a) refers to this form of institutional layering or hybridization as 'enlightened shareholder value.' The interaction between shareholder value and the practice of codetermination across the corporate sector has involved an ongoing process of "mutual adjustment" (Jackson 2005, 47). In the wider context of labor market dualization—unions representing 'insider labor' (Barker and Rueda 2007)—the combination of uncertainty and reinterpretation of finance capitalism, helps explain unions' converted understanding of codetermination as 'comanagement' (Jackson 2005). This speaks to finance capitalism's absorptive potential and underscores the ambiguous nature of the formal continuity of codetermination.

A widely shared consensus emerged in the political field of finance that saw the deregulation of the financial sector as a factor of competitiveness, source of economic growth and employment and essential in bringing 'equity culture' to German households. Actors converged on finance capitalism as 'common knowledge' (Culpepper 2008) for varying motives in the sense of a 'coalition magnet' (Béland and Cox 2016). Among policymakers finance capitalism was able to absorb liberal and socialist discontents vis-à-vis the old financial paradigm and even organized labor grew convinced of the potential advantages of elements of finance capitalism.

Finance Capitalism's Tipping Point

Whereas an emerging political program and shifting discourse may be necessary conditions for substantive institutional change, they do not automatically translate into altered behavioral pattern among the implementing actors; especially in regulative domains such as finance. Implementers like firms and households are responsible for the practical

materialization of the program. For analytical purposes it therefore seems auspicious to distinguish between the political and the implementation dimension, whilst also considering potential causal links between the two.[53] This section tracks finance capitalism's tipping point of dominance both at the political and implementation level.

Let us begin with the political level. In 1989, a parliamentary working group of the conservative-liberal coalition on the subject of 'bank power' did not yield any meaningful changes, due to the opposition by conservatives (Esser 1990, 18). After ventilating their 'anti-financier populism' (Cioffi 2002, 365) during the parliamentary debate of the 1990 First Financial Market Promotion Act, Social Democrats began to discus issues of financial modernization separately from those pertaining to corporate governance. The SPD held a hearing on the "Power of Banks and Insurers — Competition in the Financial Sector" (08.12.1993), which led to drafting the 1995 Transparency and Competition Law. During the heated parliamentary debate about the ultimately unsuccessful proposal, conservatives denied any negative economic effects of the 'Deutschland AG,' with one MP even referring to the Social Democratic "theory of bank monopoly capitalism" as a "conspiracy theory" (Bundestag 1995, 3079). Notwithstanding this rhetorical defense by conservatives, the tipping point within the party for the 'bank power' minority discourse had already come. In the same week, the governing parties initiated another parliamentary working group on the subject, which went on to draft the 1998 KonTraG.[54] This corporate governance legislation marks the formal shift from coordinated finance to a Germanized version of finance capitalism (Beyer and Höpner 2003, 191). With minority shareholder protection bolstered and insider trading already prohibited, the KonTraG aimed to increase corporate transparency and curtail the insider power position of banks. We conceivably observe a paradigm shift in the sense of Hall (1993), as not just the instruments, but the overall policy goal had changed toward shareholder- and capital market-oriented practices.[55]

The tipping point within the CDU in 1995 became apparent in an unusually confrontational public disagreement between two party colleagues: In an op-ed, MP Dieter Murmann criticized the 'bank power' rhetoric as a populist "phantom debate" and defended the traditional German system of universal banking and corporate governance (F.A.Z. 1995a, 12), to which MP Wolfgang Schulhoff responded in sharp disagreement, submitting "the

[53] This does not mean that implementing actors do not also participate in public discourse or shape political outcomes.
[54] Gesetz zur Kontrolle und Transparenz im Unternehmensbereich (Corporate Sector Supervision and Transparency Act).
[55] Even though the KonTraG did not go as far as capping industrial ownership of banks at 5 per cent, as demanded by SPD and FDP, it reads as an unequivocal endorsement of shareholder-oriented corporate governance.

system of mutual shareholdings and control is in a deep and self-inflicted crisis of credibility" (F.A.Z. 1995b, 9). It is elusive to pinpoint the shift within the conservative parties to a single causal factor or event. But the newly formed finance capitalism cross-coalition described in the previous section surely played a key role: "the SPD placed corporate governance reform at the center of the policy agenda both to stake out a reform agenda of its own and to provoke cleavages inside the Christian Democrat/Liberal coalition. Inside the coalition, the [FDP] supported reform in tension with the CDU's resistance. In contrast, historically left-wing parties and constituencies lined up behind the SPD as parliamentary representatives from the Green Party and even the post-Communist Party of Democratic Socialism" (Cioffi and Höpner 2006, 478). Beyond this party political pressure, the reorientation by banks was a major reason for the conservative parties to abandon defending the old bank-based system. CDU and CSU were essentially protecting somebody, who did not want to be protected anymore. Correspondingly, the government referred to Deutsche Bank's announcement of retreating from their industrial holdings when it first presented the KonTraG draft (F.A.Z. 1996).

Banks fought the anti bank power coverage in 1994 with an extensive public campaign arguing that they exercised proxy rights in the interest of their clients for whom they are patient, long-term shareholders (Die Zeit 1994; Der Spiegel 1995; Weber 1995). Soon, however, banks barely participated in the debate. Deutsche Bank and others argued that they had to accept that liquid capital markets are hardly reconcilable with an insider-controlled corporate network. This has been interpreted as a reluctant retreat from the 'Deutschland AG' in giving up their position as the nucleus of corporate Germany (Deeg and Lütz 2000). It is doubtful, however, how reluctant this retreat really was, given that, for example, Deutsche Bank pivoted toward investment banking in 1995, which it considered more promising than industrial ownership and 'house banking.' Reinhard Schmidt (n.d.) writes: "[Deutsche Bank] had incurred heavy financial and reputational losses from being the housebank of large corporations in Germany during the 1990s that got into serious trouble. [...] Moreover, the return from its extensive industrial shareholdings seemed not to be in line with the return requirements to which Deutsche Bank suddenly saw itself exposed when shareholder value philosophy became widely accepted and stock market valuations became more important."[56] Deutsche Bank's corporate strategy thereafter lends further credence to

[56] This shift toward investment banking agreed upon by Deutsche Bank's leadership in mid-1994 could be interpreted as a rational response to an altered context. The internal opposition and the existence of conceivable alternatives, however, underscores agentic subjectivity: "a considerable number of Board members [did not agree] with the necessity to radically change the strategic orientation of the bank. [...] [T]o seriously focus on investment banking [came] at the expense of cutting back on alternative options, such as expanding commercial

their full embrace of finance capitalism rather than a reluctant retreat from the 'Deutschland AG.'[57]

With finance capitalism as the dominant political discourse, we need to trace whether and when large non-financial firms as central implementers adopted the program. The concept of 'shareholder value' is an auspicious proxy. It encompasses a complex set operational and communicative corporate practices in line with finance capitalism (Höpner 2001, 12) that in many ways represent the opposite mode of coordination to 'bank power,' which after all meant that banks were key stakeholders in corporate governance.

In the late 1980s, German firms started to adapt their practices and marginally move toward shareholder orientation, for example, by allocating staff to engage in investor relations (von Rosen 1989). There was considerable room for maneuver on the firm level and case studies of German corporations attest to a non-linear implementation of shareholder value practices (see e.g. Vitols 2002a; Streeck and Höpner 2003; Börsch 2004; Goutas and Lane 2009) for a variety of individual motives (Beyer and Höpner 2003, 181).[58] Yet, the overall pattern indicates punctuation in the emergence of shareholder value. Fiss and Zajac (2004) extract the shareholder value orientation of the largest 100 German corporations and find that in 1990 no corporation embraced shareholder value in their reports, while more than 60 per cent did so by 2000 (Fiss and Zajac 2004, 506). The tipping point during this increasing rhetorical espousal of shareholder value is, again, the year 1995 (see Figure 9). The relative frequency of the term 'shareholder value' in books displays a similar pattern (see Figure 10). The frequency of the term 'bank power' (*Bankenmacht*) used in books over time lends further credence to this tipping point, as it dropped sharply after 1995 (see Figure 11). Goodbye bank power, hello shareholder value: the end of one buzzword thus coincided with the emergence of another. In 1996, the media also began to pick up 'shareholder value' as the economic buzzword of the year (Die Welt 1996; Jürgens et al 2000, 55).

The remarkable coincident of the political tipping point of finance capitalism and the take-up in rhetorical espousal by firms in 1995 suggests a causal link. The appropriation of the idea by political actors dating back before the overwhelming adoption by firms makes it

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banking within Europe or even to follow other banks into central and eastern Europe" (Schmidt n.d.).

[57] Divesting off the industrial shareholdings provided the necessary liquidity to expand into investment banking, which promised higher returns on equity (F.A.Z. 1998). Deutsche Bank became a global player in investment banking, assertively engaged in practices like share buybacks and in 1997 even supported a hostile takeover of a firm on whose supervisory board it was represented (Beyer and Höpner 2003, 185).

[58] This suggests a fair amount of cognitive autonomy on the part of managers as a group and individuals. Many German CFOs were uncomfortable with Anglo-American practices such as road shows or conference calls with analysts. As Vitols (2000, 6) contends: "the minimum requirements for the implementation of shareholder value principles are a strong commitment by both the CEO and the CFO to these principles plus a generalized feeling that current corporate strategy is inadequate."

plausible that firms acted in anticipation of political support. Further substantiating this, the discrepancy between rhetoric and actual implementation of shareholder value-oriented practices began to markedly shrink after 1998, the year the KonTraG was implemented (Fiss and Zajac 2004, 523).[59] One may interpret this as firms waiting for legislative certainty. On the other hand, the impetus for the shareholder value tipping point among NFCs might well have come from within the business community. Central 'signalers' such as Daimler-Benz CEO Jürgen Schrempp—Germany's 'high priest of shareholder value' (Financial Times 2005), who outspokenly redefined his company's mission as serving its shareholders rather than the public at large—might have brought about a 'joint belief shift' (Culpepper 2005).[60] That in 1994, for example, Deutsche Bank decided to focus on investment banking (Schmidt n.d.) and Daimler-Benz published US-GAAP balance sheets as the first German firm (Höpner and Jackson 2006, 145) lends credence to such an interpretation. Further substantiating a process endogenous to the managerial sphere, Vitols (1999) finds that rather than due to pressure by institutional investors, NFC managers actually began to move toward shareholder orientation on their own initiative, which resulted in the "paradoxical situation that shareholder value orientation in Germany was initiated to a great extent by company management in the industrial sector" (Jürgens et al 2000, 73).

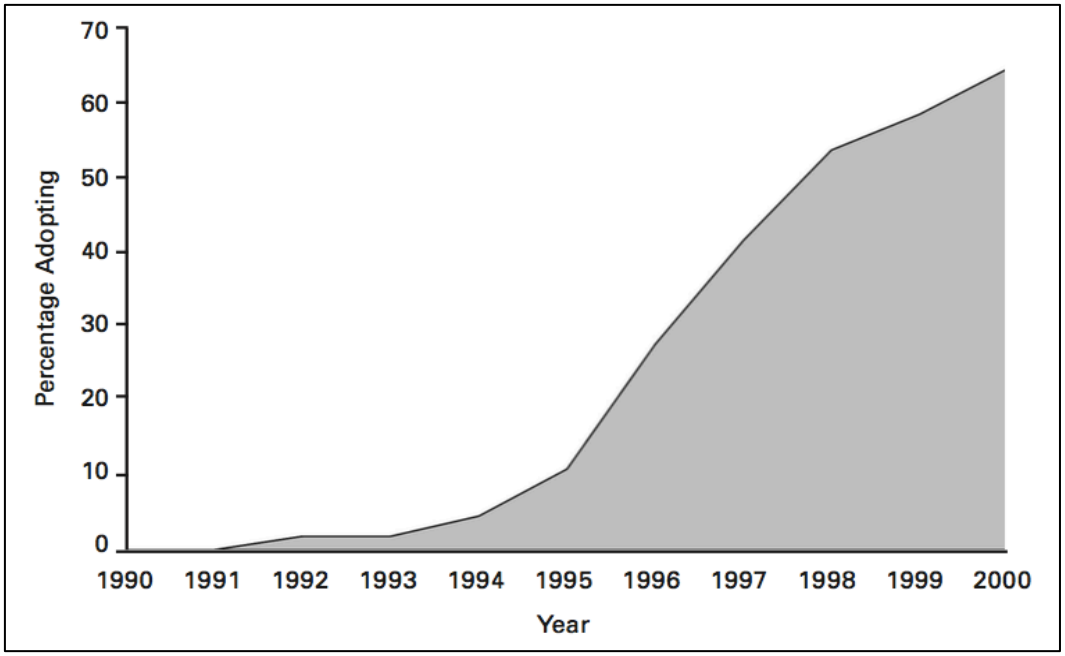
In light of these plausible alternative interpretations it seems reasonable to assume that both the political and the implementation arenas affected one another. However, no attempt shall be made here to disentangle the causal arrows between the appropriation of finance capitalism by political actors and the overwhelming espousal by firms. More germane to the argument advanced here is that we find a pattern of punctuation on both levels in the same year. Finance capitalism as the new political program mustered a quasi-hegemonic advocacy coalition remarkably swiftly. The above account of actors' (re)interpretations and shifting preferences provides a comprehensive understanding of the underlying political dynamics that goes beyond the passing of seminal legislations as formal markers of change. Two strategies have proved helpful in identifying tipping points and may point the way for future research in this vein: First, a key political event may take place

[59] The authors juxtapose this espousal of shareholder value with the actual implementation of shareholder value-oriented practices and conclude that "German firms engage in decoupling by espousing but not implementing a shareholder value orientation" (Fiss and Zajac 2004, 501). Neither the degree of market-based finance nor the exposure to international competition explains the variation in espousal (Fiss and Zajac 2004, 522). These practices include 'value-based' management control systems, stock option plans for management and internationally accepted accounting standards.

[60] Also, a generational shift in management may be an important contextual factor, for changing educational profiles and shorter job tenures make managers more susceptible to the underlying profit-maximizing rational of shareholder value (Höpner 2001, 21; Fiss and Zajac 2004, 522). Yet, these changes do not help to pinpoint the sudden shift we observe.

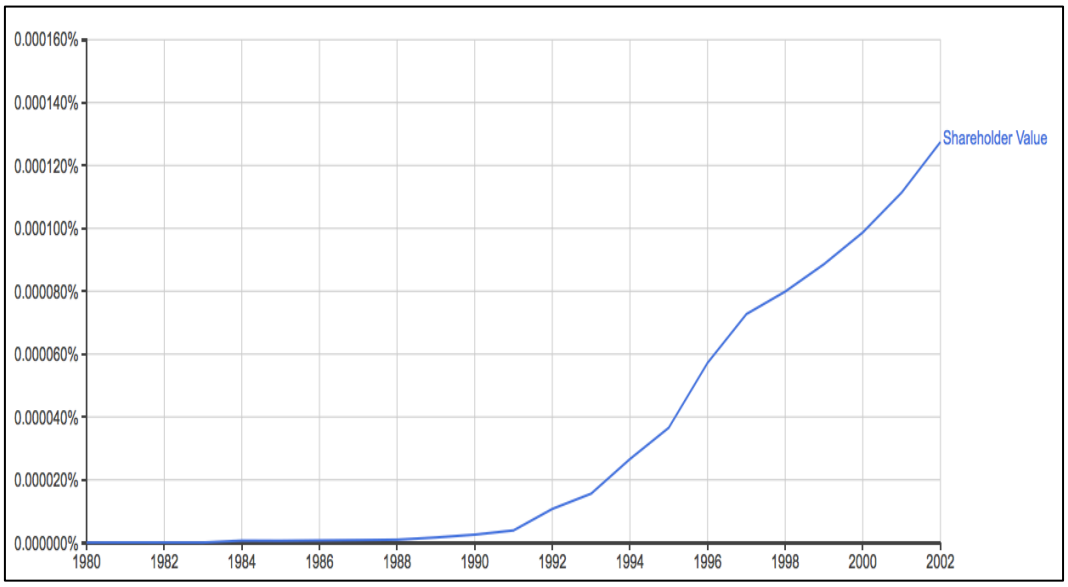
when a central antagonist of (parts of) the program abandons her position, as the conservative parties did when retracting the protection of banks' insider position. Second, analysts should be mindful of the distinction between political and implementation levels. Whereas this case study does not allow discriminating between ideational and purely material explanations, the rapid supersession of 'bank power' by 'shareholder value' in the shift toward a capital market oriented discourse in combination with the complex, contested and relational nature of the underlying preference shifts at least make a wholly rationalist account seem incomplete. Contextual alterations such as product-market change, generational changes in management or increasingly dispersed ownership alone hardly seem sufficient to account for the rapid and relational developments we observe and hint at the importance of shifting (political and corporate) discursive winds.

Figure 9: Diffusion of Shareholder Value Management Espousal Among the 100 largest German Corporations



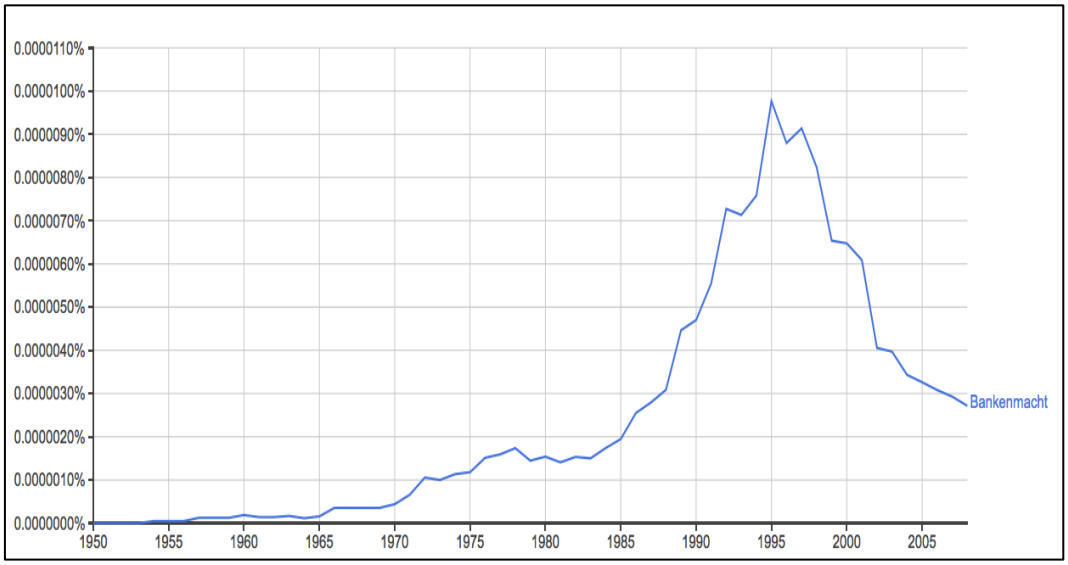
Source: Fiss and Zajac 2004, 506.

Figure 10: Relative Frequency of 'Shareholder Value' in Books



Source: Google Ngram Viewer, German Corpus.

Figure 11: Relative Frequency of 'Bank Power' (*Bankenmacht*) in Books



Source: Google Ngram Viewer, German Corpus.

Finance Capitalism is not Adopted as the Dominant Discourse

Analyses of change often solely pertain to 'successful' paradigm shifts and tend to downplay the commonly non-hegemonic nature of political change. The challenge is to discern why certain groups or subgroups of implementers have or have not adopted the new program. One needs to discern causal pathways by identifying subgroups of actors and carefully match their preference formation with relevant aspects of context (Falleti and Lynch 2009). Among

the questions to ask are: Did the political program already exclude certain groups or aspects that one would consider part of a true shift toward, for example, liberalization? Did some of the discontents with the old paradigm not apply to certain spheres of the political economy? Did identifiably different ideational or structural factors prevail in some pockets?

In the case at hand this pertains to the question of why smaller German firms have remained comparatively 'unfinancialized.' It is not for a lack of political will. Beginning in the 1980s, policymakers widely identified the undercapitalization of German SMEs as a competitive disadvantage. Encouraging SMEs to tap capital markets became a key objective of most major financial reforms. Most notably, legislations in 1987 and 1994 established the 'Geregelter Markt' as a new segment at the Frankfurt stock exchange and the new quasi-type of enterprise 'small stock company,' respectively; both aiming to facilitate public listings for smaller firms. This political goal of financializing the Mittelstand was shared across the political spectrum and underpinned by an outspoken skepticism toward its overreliance on bank finance, as exemplified by a conservative MP during a parliamentary debate: "External finance through bank loans with their known need for collateral [...] may lead to critical liquidity problems" (Bundestag 1994, 17988). This begs the question of why political will and policy change failed to translate into altered behavior among implementers.

A central reason for this continuity is the remarkably unchanged role played by public banks. Historically, most European banking systems consisted of three pillars, but only in the "special German case" has the institutional arrangement remained largely the same since the 1930s (Bülbül et al. 2013, 16). Owned by municipalities and districts, and given their dual role as charitable organizations and local lenders to households, SMEs and public bodies, savings banks have a deeply entrenched political power base. Despite the widely shared political enthusiasm about deregulatory financial reforms, liberalizing public banks—a logical step toward finance capitalism—never seriously reached the political agenda. The three-tier structure is a fixture of the German finance paradigm that was not seriously delegitimized so that no space opened up to allow initiating substantive institutional changes.

When in the early 2000s commercial banks started complaining more vociferously about savings banks' privileged position—they are, for example, protected from takeovers—political parties unanimously defended the structure of the banking system. Legislative proposals in 2003 by the CDU/CSU (BT-DS 15/748), FDP (BT-DS 15/369) and the SPD/Greens governing coalition (BT-DS 15/930) in unison referred to the three-tier structure as a historical factor of financial strength and stabilization that is of tremendous

importance for the Mittelstand. Instead of structural changes, we see modernized practices among public banks. Rather than eroding relational banking, increased transparency requirements have modernized the mode of coordination in long-term lending (Bluhm and Martens 2009). German policymakers could have relied on a powerful ally and useful scapegoat for blame avoidance in the European Commission (Schmidt 2009), had they truly wanted to liberalize the banking system. Instead, defending public banks to this day continues to be a core element of German economic EU policy (Seikel 2014).

This continuity partially explains why German SMEs have little incentive to financialize. Further structural and ideational idiosyncrasies of the German corporate landscape also seem to be at play. Even though German SMEs markedly compete on a global scale, their business model is not subject to similar globalization pressures as firms on the diverging path, for they tend to be industrial niche specialists that mostly rely on retained earnings and usually do not strive to diversify or expand to a similar extent (Simon 2009). In addition, a certain Mittelstand-identity factors into this reluctance to financialize. Already post-war economics minister Ludwig Erhard submitted in 1955 that the Mittelstand is not merely a quantitative category referring firms that are smaller in size, but "an expression of a state of mind and an attitude toward the socio-economic and political process" (as cited in BMWI 1997). In this context it is apposite to consult the impressive body of empirical research on the German familial sector. The German case stands out for its unusually large share of big family-owned firms (Lehrer and Celo 2016, 732), which makes it particularly interesting, as functional issues of small firms accessing capital markets can be assumed to play less of a role. This is important for the explanation of non-adoption of the finance capitalism program, for "[g]eneralizable differences between the strategies of family and non-family businesses can only be found in the field of finance. Due to their striving for independence, family businesses do prefer (internal) equity financing" (Schlömer-Laufen et al. 2014, 11). It follows that the familial sector is an important driver of financial 'bifurcation' (Lehrer and Celo 2016).

Traditional Mittelstand firms barely sought listing on the Neuer Markt or issued so-called Mittelstand bonds. Tapping capital markets is widely considered a remedy of last resort when in dire need of external funding—creating negative reputational feedback effects with investors, which were only reinforced by the collapse of the Neuer Markt. If external funding is sought, bank loans, in particular from public banks, are the preferred channel among German family-owned firms (Wallau and Lamsfuss 2013, 21). Lehrer and Celo (2016, 738) hypothesize against the background of Streeck's (2009a) dichotomy of institutions that due to their local and social embeddedness, the German "familial sector has

conserved traditional Durkheimian institutions of solidarity and mutual obligation to a much greater extent than the financialized sector, which has largely replaced Durkheimian institutions with Williamsonian ones through the growing contractualisation of relationships." This admittedly impressionistic account of drivers of non-liberalisation in the German financial system points to the Mittelstand-identity as an important addendum to existing functionalist explanations of bifurcation that solely focus on the size of firms.

Financial Crises: Challenges of the New Paradigm

It remains to be examined whether the program of finance capitalism has matured into the financialized subregime's dominant paradigm. Upon the program's marginal build-up and its disparate adoption as the new dominant discourse, its status as the new paradigm has to be confirmed. As paradigms are often unarticulated, they become identifiable in the face of challenges; for example, when a crisis conceivably questions the fitness of the new discourse and actors overwhelmingly seek to adjust rather than to replace it. This is when 'power in ideas' (Carstensen and Schmidt 2016) becomes apparent: "If the beliefs or attitudes of political actors remain relatively constant past the point where conditions have changed, then we should be able to say with some confidence that these beliefs or attitudes can no longer be reduced to the material factors that shaped their emergence and have therefore become institutionalized" (Berman 2001, 239-40).

Deregulatory reforms of the red-green government in the early 2000s—inter alia abolishing capital gains taxes altogether and thus expediting the dissolution of the company network (Cioffi and Höpner 2006, 479)—solidified the political shift toward finance capitalism. The first setback for finance capitalism was the burst of the New Economy bubble in 2000. By 2002, the Neuer Markt's market capitalization had dropped to 4 per cent of its peak value and the Telekom 'people's stock' dramatically dropped in value as well. For the first time not just professional investors or wealthy individuals, but middle-class households incurred losses from equity trading. Despite accusatory reporting by the media, policymakers demonstrated strong commitment to finance capitalism, arguing that the crash was the result of a yet immature version and implemented reforms that aimed to further increase transparency standards (Vitols and Engelhardt 2005); examples include the 2002 Fourth Financial Market Promotion Law and the 2003 Investment Modernization Law, which controversially legalized hedge funds. Remarkable consensus about the future objectives apropos of the *Finanzplatz Deuschland* prevailed across the political spectrum.

What later unfolded into the global financial crisis, impacted the German

financial system at an early stage and represents a challenge of a higher order of magnitude. During his testimony before the Financial Crisis Inquiry Commission, the then Federal Reserve chairman Ben Bernanke mentioned the problems facing the partly state-owned German industrial-lending bank IKB in July of 2007 as one of the first signs for the global nature of the financial crisis (Bernanke 2010). The rescue of IKB was closely followed by a bailout of the Sachsen Landesbank in August of 2007 by a German savings banking association (Acharya et al. 2009, 51). These early incidents indicate the significant exposure of the German banking sector to the turmoil in the American mortgage-backed securities market. In the case of Landesbanken, the expiring privilege to issue publicly guaranteed debt in 2005, as demanded by the EU Commission, incentivized them to raise as much funds as possible.[61] German commercial banks also played a prominent role in the US mortgage-backed securities boom; Deutsche Bank was in fact one of the two biggest sellers of such securities under 'quantitative easing' (Tooze 2018, 210). Increasingly market-based banking had resulted in great exposure to the American mortgage market (Hardie and Howarth 2009; Hüfner 2010). Taken together, German banks accounted for 9 per cent of global write-downs, which is roughly a quarter of all European write-downs (Hardie and Howarth 2013). However, the spreading liquidity drain barely affected savings banks and cooperative banks due to their more conservative business model, which may help explain why the crisis did not impede the real economy as much as in other countries (Hardie and Howarth 2013).

The seemingly obvious lessons from the crisis may lead one to expect the financial crisis to signify a break for national financial systems' trajectories (Deeg 2010, 331) and underlying belief systems (Quaglia 2010). The financial shockwaves from the U.S. brought about comprehensive rescue[62] and regulatory[63] measures. Unlike after the New Economy bubble, commercial banks and Landesbanken have indeed begun to 'definancialize' their funding and lending practices. Hardie and Howarth (2013, 124) suggest a "potential

[61] Two Landesbanken failed and one was restructured. Four of the six largest Landesbanken were pressured by the EU Commission to shrink their balance sheets and to cut back their international activities, as well as the general risk-level of their investments (Financial Times 2012a).

[62] Initially, the German government rescued struggling institutions on a case-by-case basis. After the default of Lehmann Brothers, it implemented the Financial Market Stabilisation Act, established in October 2008 the Federal Agency of Financial Market Stabilisation and launched the Financial Market Stabilization Fund (SoFFin). The fund had an endowment of 480 billion euros in guarantees and recapitalization funds for the financial sector. At its height, the SoFFin provided 168 billion euros in financial guarantees, 29 billion euros for re-capitalisation, and €6 billion for assuming balance sheet risks (Detzer et al. 2013, 313). The nationalization of the private Hypo Real Estate Bank was the costliest measure undertaken totaling more than 100 billion euros, followed by the partial nationalization of Commerzbank, the country's second largest commercial bank (Blinder 2013, 169-170). In the same month that the SoFFin was established, Chancellor Merkel and then Minister of Finance Steinbrück declared that the government would unlimitedly guarantee German savings deposits. While widely seen as a symbolical guarantee, these initiatives helped stabilize the German financial sector and prevent a meltdown.

[63] For an overview of domestic initiatives and the implementation of transnational regulations, see Ministry of Finance (2013); for an overview of EU regulations on banking and securities markets, see Quaglia (2013).

reduction in market-based banking in Germany as a result of the crisis." In line with an overall European trend, commercial banks seek to refocus on 'boring banking' (Financial Times 2015). Deutsche Bank has committed itself to a 'change of culture' toward less investment banking and more traditional banking activities with modest profitability benchmarks.

These post-crisis adjustments, however, do not mean a return to the patient capital paradigm. Instead, the crisis has reinforced the new paradigm of coordinated finance capitalism, which is interspersed with nonliberal elements. Whereas the German government and the EU implemented more stringent financial regulation, the finance capitalism paradigm has not been fundamentally put in question (see also chapter 6).[64] Recent corporate scandals elucidate the extent to which the legitimacy of the insider corporate governance regime has been undermined. While scandals at more shareholder-oriented firms such as Deutsche Bank were perceived as individual failure, Volkswagen's emissions scandal was readily traced to its insider-dominated corporate governance system (Röper 2015).

Conclusion

This paper has highlighted complementarities between historical and ideational institutionalism in making sense of change that is disparate both in terms of its extent and speed in complex policy domains such as financial systems. The proposed conception of change departs from punctuated views of transformative ideational change occurring only during periods of immediate crisis, while acknowledging tipping points as markers of rapid, non-hegemonic change. Instead of merely tracing chosen antidotes to perceived failures of prevailing belief systems, it emphasizes the dynamic nature of the paradigm-generating process that corrects the conceptual misperception of unmalleable programs seemingly conjuring up on the political agenda. The integration of HI and II advocated here may enhance efforts to uncover the workings of (technocratic) ideas morphing into increasingly complex policy prescriptions that reach discursive dominance to become the (partially) new paradigm.

The provided data substantiate the disparate extent of German liberalization and inform the larger debate concerning consistent national capitalist models versus internal diversity. Technocratic ideas of financial modernization enabled liberal-leftist aspirations of liberalization to morph into the political program of finance capitalism. Careful process

[64] See Blyth (2013) for a general analysis of this absence of a finance paradigm shift. In an interesting counterposition, Baker (2013) argues that the crisis did cause for a radical ideational shift in terms of financial regulation, but that its practical institutionalization proceeds marginally.

tracing allowed pinpointing the political moment of the program reaching discursive dominance when conservatives abandoned their opposition. How technocratic, politically consensual and parametric changes opened up space for the paradigmatic discourse of outsider-oriented corporate governance elucidates the underlying causalities and timing of the transition from marginal to rapid change. This enhanced understanding of the political discursive shift toward finance capitalism and the motives driving its implementers shed light on the compartmental non-adoption of finance capitalism—thereby explaining financial diversification and the German version of finance capitalism with codetermination and public banks as (albeit adjusted) nonliberal fixtures. Understanding the emergence of German finance capitalism as a political program is important beyond the domain itself, given its knock-on effects on, for example, pension politics (Carstensen and Röper forthcoming; Röper n.d. a; b).

The diversified variety of German capitalism has come to be perceived as the "model everyone wants" (Financial Times 2012b), with the "German political economy [as] one of the clear 'winners' in the post-2007 period" (Bruff and Horn 2012, 162). Prior to the crisis, the German banking system was widely considered anachronistic. In 2003, The Economist echoed the then common call to consolidate and "overhaul [...] Germany’s rigid three-pillar banking system." The same outlet now predicts that in the future the German "model of a localized and diverse banking system is likelier to win adherents" (The Economist 2012). Many post-crisis policies strive to shift banking practices toward the traditional savings banks model (Bülbül et al. 2013, 1) and prominent policy-makers like David Cameron have identified capitalist diversity in the form of the German Mittelstand as a model worth emulating (The Guardian 2015).

It appears as if the German model's comparative advantage derives from the very diversity explained in this paper. Genetic diversity is said to produce the strongest offspring—as the disparately liberalized German financial system serves the dissimilar needs of large international corporations and the Mittelstand, a comparative financial advantage might have emerged (Posen 2015, 8). One may be tempted to interpret Germany's relative economic success in the wake of the global financial crisis to fulfill VoC's wildest predictions: "firms can sustain a decline in returns because the financial system of a coordinated market economy provides firms with access to capital independent of current profitability" (Hall and Soskice 2001, 16). But instead, "new institutional 'complementarities' have emerged within Germany's 'coordinated' variety of capitalism [...] [P]atient and less patient forms of capital are not engaged in a zero-sum game but rather may be complementary" (Lehrer and Celo 2016, 731-2). In an interesting twist, these strengths may

turn into risks under the low interest rate regime brought about by post-crisis monetary policy, which is punitive of 'boring' banking business models (IMF 2016, 22).

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4. Finance vs. Financialization: The Battle over German Pensions

Over the last decades welfare states have not only experienced tremendous retrenchment in terms of the generosity of public benefits, but also restructuring in terms of what social risks are insured for whom (Hacker 2004). In the context of old age provision, financialization[65] has been identified as a crucial force shaping this restructuring. Pension financialization may refer to the overall shift from PAYG to capital-funding, a focus on investments in corporate equity by prefunded pension schemes and a shift from defined benefits (DB) to defined contributions (DC) occupational pensions (van der Zwan 2017). The implications are manifold. At the macro-level the overall capital accumulation regime may become more reliant on financial sources. At the firm-level burgeoning pension funds potentially act as agents of financialization by pushing for shareholder value through 'corporate engagement' (Clark and Hebb 2004). At the micro-level regulatory specifics of private and occupational pensions may drive a "great risk shift" (Hacker 2006) from collectively organized to individualized forms of social insurance, where old age income becomes subject to more capital market risk due to less comprehensive pay out guarantees and increased reliance on riskier asset classes (van der Zwan 2017; Hassel and Naczyk 2018).

In light of the tremendous implications of financialization for old age provision, it does not surprise that the study of the pension-finance nexus is drawing increasing attention. While earlier research in comparative political economy (CPE) explained the link between pension and financial systems largely in terms of functional and static 'elective affinities' (e.g. Estévez-Abe 2001; Jackson and Vitols 2001; Vitols 2004), more recently scholars have begun to probe into the actual politics of the pension-finance nexus (e.g. Leimgruber 2008; Naczyk 2013; 2016; van der Zwan 2017; Hassel and Naczyk 2018; Trampusch 2018). Especially from a business interest perspective, the nexus offers a rich laboratory to study not only the power of finance in pension policymaking, but also contending preferences among segments of business. In particular, nexus scholars have started to uncover divergent preferences vis-à-vis occupational pensions among employers and financial sector actors (Hacker 2002; Klein 2003; Leimgruber 2008; Meyer and Bridgen 2012; Naczyk 2013; 2016). These contributions, however, often equate the financial sector with the insurance industry and thus pay scant attention to political contestation among segments of finance like banks and insurers (for exceptions, see Oelschläger 2009; Wehlau 2009; Hassel and Naczyk 2018). Treating financiers like a monolithic actor can be problematic. While all factions of

[65] Financialization may broadly be defined as the "the web of interrelated processes [...] through which finance has extended its influence beyond the marketplace and into other realms of social life" (van der Zwan, 2014, 101).

finance generally share a preference for cutbacks in public pensions, they compete in seeking government support for their respective retirement savings products.

This paper seeks to enhance our understanding of pension financialization by zeroing in on the variegated preferences within capital vis-à-vis pension financialization. The business power literature increasingly considers contending preferences among segments of capital (e.g. Hacker and Pierson 2002; Mares 2003) and has started to distinguish diverging preferences within finance and the interactions between financial sector actors and business at large (Mügge 2006; Pagliari and Young 2014; Young and Pagliari 2017). Recognizing that preferences among segments of both finance and organized business may differ invites a more complex perspective on political conflicts and coalition building within capital. In this vein, the paper revisits the preferences and political strategies of the three main factions of German finance—banks, insurers and investment companies—as well as organized (non-financial) business during the battle over pension funds. The main finding is that, contrary to conventional wisdom, segments of finance and business may act as powerful antagonists of pension financialization.

The German 2001 Pension Reform Act (PRA2001) introduced tax-subsidized schemes for occupational and private pensions and established pension funds. This meant a shift from the 'one pillar social insurance paradigm,' where public pensions alone were considered to be responsible for ensuring the achieved living standard into old age, toward the 'multi-pillar pension paradigm' (Bönker 2005). Multi-pillarization implies an understanding of social politics as market enabling, instead of the welfare state as protection from the market (Nullmeier 2001, 652). It is not as if previous scholars repudiated that the German pension path departure was somehow linked to financial liberalization or failed to recognize that in organized finance powerful new actors emerged in the mid-1990s that had previously played virtually no role in pension politics (Hockerts 2011, 313). Based on instances of theory-building rather than systematic inquiries, however, most studies assume all segments of finance to be agents of pension financialization and thus gloss over political conflicts within the financial sphere. Borrowing terminology from Callaghan (2018), insurers were in fact 'incumbents' and banks and investment companies 'challengers' in the political field of private and occupational pensions. Incumbents defended a definition of old age provision that corresponded to a business model based on DB, payout guarantees and insurance elements covering biometric risks and, thus, essentially the status quo of the

German private pension regime. Challengers, in contrast, pushed for 'financialized,' equity-oriented, DC pension funds aiming for maximized yields and capital formation.[66]

When financial challengers started to push for financialized pension funds for both private and occupational pensions in 1995, the political opportunity structure was highly favorable (Röper n.d. a). By 1998, investment companies had managed to establish the first type of equity fund (AS-funds) geared toward private old age provision with the government's seal of approval and banks had mustered wide party political support for their occupational pension fund scheme (Betriebs-Pensionsfonds). Challengers were all but certain to be victorious in substantially financializing the German private pension regime. However, the pension funds that were eventually established as part of the PRA2001 had little to do with the financialized 'Anglo-American pension funds' that challengers were advocating. Incumbent insurers were the "big winners of the Riester reform" (Vitols 2003, 107; see also Figure 1). To qualify for state subsidies, all private and occupational pension products need to offer a 'no loss-guarantee' and lifetime annuity (Vitols 2003, 106-107) and must not be pure DC schemes; much to the liking of insurers (GDV 2001, 16-17).[67] These schemes became the regulatory purview of the insurance supervisory agency, which challengers considered a "competitive distortion in favor of insurers" (Blessing 2002, 371), while incumbents applauded (GDV 2001, 7).[68] Whereas AS-funds were in many ways the "ice breaker" (BVI 2001, 1) for the pension debates to come and "basically contained all 'core components' of the Riester-pension" (Oelschläger 2009, 14), the financialized pension fund challenge became but a "symbolic turning point" (interview Leven). Financial incumbents managed to absorb parts of the finance capitalism agenda that aligned with their preferences anyway (e.g. liberalized investment ceilings) and fended off those that ran counter their business model and its underlying conception of old age provision in what caused challengers to complain about an "insurance monopoly" (BdB 2001, 17). It hardly surprises that van der Zwan (2017, 561) finds that with regards to pensions "[o]nly Germany shows almost no sign of financialisation," making it an *extreme case*.

The existing literature on this case has yet to fully explain why challengers remained largely unsuccessful in the late 1990s and early 2000s, despite tremendous political

[66] What I refer to as financialized and insurance-fied pension funds, has been juxtaposed by Heubeck (1998, 692-702) as 'pension insurances' and 'pension funds.' As insurance elements and payout guarantees were largely absent from challengers' proposals, individuals' pension benefits would depend directly on capital market trends and thus would be more financialized.

[67] For an overview of the tax subsidies for private and company pensions in the PRA2001, see Berner (2009, 135-148).

[68] Banks and investment companies were left to celebrate minor successes such as managing to liberalize the guarantee clause from one that ensures no losses from day one to a guarantee of contributions beginning with the payout phase (BVI 2001, 24).

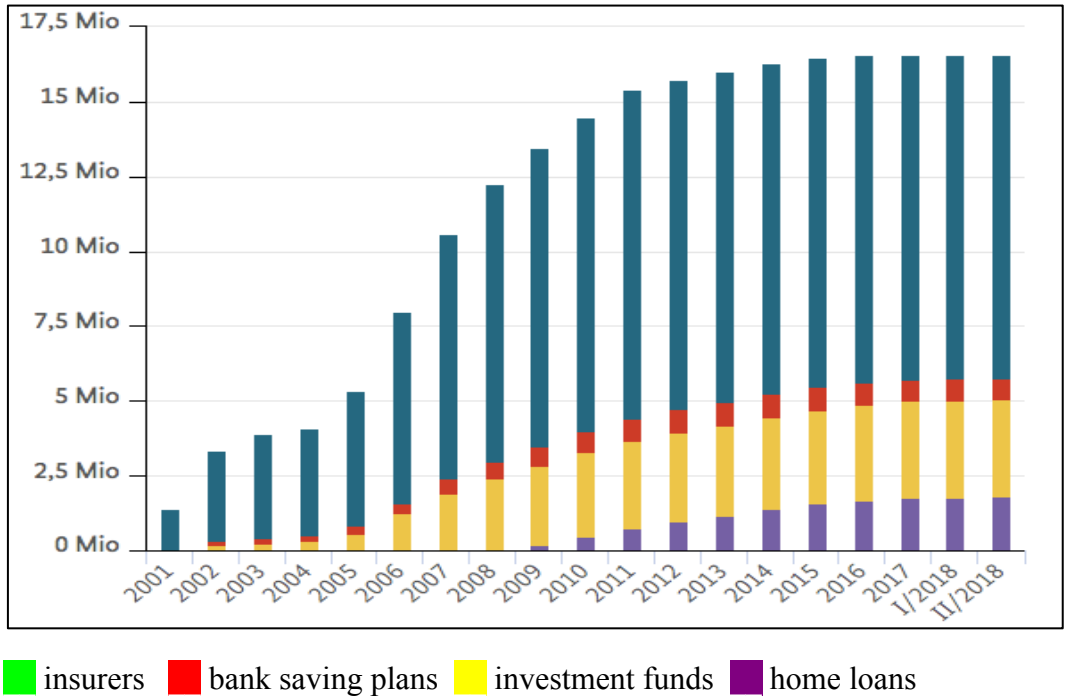
momentum in favor of financialized pension funds. To explain incumbents' victory, Hassel and Naczyk (2018) argue that after the shift in policy venues from the 'quiet' (Culpepper 2011) financial sphere to the much 'louder' pension arena in 1999, it was organized labor that crucially mobilized against financialized versions of pension funds (Hassel and Naczyk 2018, 72). While I do not deny the importance of labor's opposition, I contend that a crucial political battleground for pension funds was the wider business community, where financial incumbents mustered sturdy support against their challengers. Incumbents' initial and unsuccessful response strategy was 'confrontation' (Paster 2018) in seeking to prevent pension funds altogether as the fifth type of occupational pension schemes. In light of growing political momentum in favor of pension funds, incumbents shifted strategically to 'adaptation' (Paster 2018). Fighting rearguard action, they started to advocate pension funds, but reinterpreted them toward their preferences. The substance of their demands hardly changed, but their strategic goal shifted from their first to their second order preference, which was to merely allow 'insurance-fied' pension funds. The wider community of organized business had been reticent vis-à-vis pension funds and only now began to throw their weight behind insurance-fied versions. Reinterpreting pension funds enabled financial incumbents to mobilize employers.

To discern who wanted what, and how strongly, who got their way, and why, I track the preferences and strategies by the three main factions of German finance and the political context throughout the 1980s and 1990s. Political context or opportunity structure refers to the preferences of politicians in general and, in particular, the openness of relevant policymakers toward new ideas and instruments such as pension funds (public sentiment plays but a marginal role in the context of the 'quiet' issues discussed here). Genuine or first order preferences are actors' policy wishes independent of their political feasibility; in the case at hand these can be largely deduced from actors' business models and requisite expertise. Strategic or second order preferences refer to the most preferred option in light of the overall strategic setting, thus taking into account other actors' preferences and power base (e.g. Hacker and Pierson 2002; Korpi 2006). Strategies or 'heresthetic' (Riker 1986) pertain to the ways in which actors advance their preferences within the strategic setting. This involves primarily the decision on *which* order of preference to act.[69] In addition, strategies pertain to *how* actors act on these preferences, by which I mean the discursive

[69] I follow Jabko (2006, 30-31) in understanding strategy as more than just "choosing the best course of action in a given setting," as such a narrow utilitarian perspective misses "the broad political dimension" and "social construction of political strategy" in a context of collective mobilization.

execution of political strategies, including the labeling of policy proposals and (re)interpretations of policy instruments.

Figure 1: Distribution of Riester-Subsidized Products by Type



Source: Bundesministerium für Arbeit und Soziales

The analysis largely omits dynamics external to the business sphere and focuses on competitive and political interactions amongst financial challengers and incumbents and their attempts to persuade lawmakers and the wider business community.[70] Financial challengers encompass banks (as represented by the BdB)[71] and investment companies (BVI), incumbents the insurance industry (GDV) and the German Association for Occupational Pensions (aba).[72] Organized business at large refers to the umbrella organizations BDA and BDI. The analysis draws on a wide range of primary and secondary sources, including parliamentary debates, various newspaper archives, letters, TV recordings

[70] As such, the analysis is situated between a market explanation that considers interests of financial sector actors as the main determinant of the pension-finance nexus (e.g. Naczyck 2013) and a state-centered perspective that puts the onus on government preferences (e.g. Trampusch 2018).

[71] Unless explicitly stated otherwise, this refers to commercial banks. Note that the difference between public and commercial banks is negligible, as both have similar preferences regarding the issues discussed here and the latter even often represented the former during legislative processes (e.g. public hearings for the Third Financial Market Promotion Act on 12.11.1997 and the PRA2001 on 19.01.2001).

[72] The aba is widely considered a powerful player in occupational pension politics (e.g. Wiß 2011, 108ff.). While it represents various providers and stakeholders in occupational pensions, including non-financial companies (NFCs), financial companies, unions and pension consultants, it takes "structurally conservative" (interview Leven) positions that tend to align with insurance companies with regards to the issues discussed here.

and 23 in-depth expert interviews with policymakers, academics, bureaucrats and representatives of organized business, banks, insurers and investment companies. Of particular importance are the periodicals, yearbooks and further publications by the associations representing the three factions of finance (for an overview, see Table 1).

Table 1: Periodicals and Journals*

Periodicals:	
Association	*Title*
BVI	Investment
GDV	Die deutsche Versicherungswirtschaft Jahrbuch; Positionen
BdB	Jahresbericht; Banken
BDA	Arbeitgeber
aba	Betriebliche Altersversorgung
Journals:	
Industry	*Title*
Banking	Die Bank; Zeitschrift für das gesamte Kreditwesen
Insurance	Zeitschrift für die gesamte Versicherungswirtschaft; Versicherungswirtschaft
General	Betriebs-Berater; Der Betrieb

* At least from 1980 to 2002, if available.

To empirically corroborate the argument developed above, I trace preferences, strategies and political context in three steps. First, I establish that banks had a strategic, investment companies a genuine and insurers no preference for financialized pension funds. To that end, I provide an overview of the political context of the German private pension regime and consider the business models and the web of competition and cooperation among the three segments of finance. Second, in 1995 investment companies and banks acted on their first and second order preferences, respectively, by proposing financialized pension fund-type policy concepts for private and occupational pensions. To gauge the implications of this challenge, I track the fault lines between challengers and incumbents in (re)defining non-state old age provision and indicate based on the reactions by policymakers that challengers seemed to be succeeding. This provides the baseline for understanding the ensuing political battle over occupational pension funds. Third, to show that incumbents managed to prevent financialized occupational pension funds by reinterpreting 'pension funds' and eliciting support from the wider business community, I first pinpoint that strategic shift by incumbents to the second half of 1997. I then track that now umbrella business organizations began to throw their weight behind incumbents' pension fund proposals and

indeed took sides in the battle between financial business models. To counter claims that the coalition of financial incumbents and organized business was ineffective until organized labor joined the debate, I show that the former already got their way in the course of a 1998 ad hoc committee on pension funds in which labor and social policymakers did not participate.

The paper sheds new light on the question of plurality within capital. By zeroing in on political conflicts within finance and the wider business community, it highlights that segments of capital may actually act as antagonists of financialization. This counterintuitive finding contributes to the study of the political dynamics and still underexplored "specific mechanisms underlying financialization" (van der Zwan 2014, 106). The focus on challengers and incumbents within finance potentially also elucidates mechanisms of path dependence for pension financialization, where legacies of past policy decisions may stack the deck in favor of incumbents (Naczyk 2013; van der Zwan 2017; Natali 2018). In this vein, a disaggregated view of capital complicates the study of politics through an neo-Polanyian lens mindful of institutional legacies, where the market society is appreciated "as a highly dynamic entity, full of tensions and contradictions" (Bohle and Greskovit 2012, 14). The finding that finance and business warded off a more substantial commodification of private and occupational pensions suggests that in the perpetual conflict of 'disembedding movements' and 'reembedding countermovements,' capitalists may actually become buffers of forces that seek to subordinate social protection to 'self-regulating market mechanisms' in requisite institutional arrangements (Polanyi 1957). If capitalists decide to oppose financialization, we may expect them to be particularly effective compared to the 'usual suspects' such as organized labor, as they carry the legitimacy of an otherwise liberal political force.

To be sure, there is a longstanding scholarly debate about plurality among 'factions of capital' (e.g. Poulantzas 1973; Levine 1988; Jessop 1990; Mares 2003). However, aiming for a more political understanding of pension financialization, this paper goes beyond existing approaches toward disaggregating capital by problematizing the actual mechanisms through which business plurality affects political outcomes. Rather than statically engaging in either 'confrontation' or 'adaptation' (Paster 2018), the paper suggests *that* and *how* business may shift between these strategies. By indicating how discursive reformulations of a malleable term such as 'pension funds' are key elements of political strategies that allow coalition building within capital, the paper bridges 'strategic constructivism' (Jabko 2006) and the study of business power.

The remainder of the paper is structured as follows. The second section situates the argument in the business power literature. The third section contains the case study. The final section provides an outlook on future research in this vein.

Preferences and Strategies at the Business-Finance Nexus

CPE has rediscovered the issue of business power in recent decades. Hacker and Pierson (2002) have notably spurred this line of research by embedding it in an agentic institutionalist framework. Based on their concept of anticipated reactions according to which "[a]ll political participants are in a position to calculate [...] the reactions of other actors" (Hacker and Pierson 2002, 283), the authors highlight the need to distinguish between acquiescence and genuine preferences. Whereas others (Swenson 2002; Mares 2003) posit that business may actually develop pro welfare state preferences, Hacker and Pierson (2002) submit that such claims are based on a misreading of the empirical evidence: When business consents to welfare state growth, this is likely the result of a strategic adjustment in consideration of what is politically feasible rather than a change in first order preferences (see also Korpi 2006; Broockman 2012; Kinderman 2016; Paster 2018). This paper's argument and research strategy follow this contention in considering business actors as conditionally consenting "live predators" rather than "patient cogs" (Streeck 2009, 234).

While recent contributions have advanced our understanding of the political dynamics revolving around the pension-finance nexus (e.g. Leimgruber 2008; Naczyk 2013; 2016; 2018; van der Zwan 2017; Natali 2018), these works largely bracket the conflicts stemming from divergent social policy preferences within capital. For the German case it has been argued that within business, 'product-market actors' such as finance may have less ambiguous welfare retrenchment preferences than 'labor-market actors' such as peak associations that are absorbed by corporatist structures (Pieper 2012). At least in terms of expressed preferences, however, the opposite holds true for German pensions during the late 1990s and early 2000s. Whereas all factions of finance emphasized the continued primacy of public pensions in German old age provision, peak associations demanded to cut the public pillar down to a base pension (e.g. BDA 2000a, 194). This underscores not only the need to probe deeply into genuine and strategic preferences, but also points to a lacuna in the existing literature: interactions between financial sector actors and business at large in the context of social policymaking.

Although scholars increasingly recognize that "deep cleavages [...] divide [...] the business community" (Hacker and Pierson 2002, 280), the financial industry often continues

to be treated like a unitary political actor. This amounts to a neglect of 'competition politics' (Mügge 2006) within finance. As Froud et al. (2007, 343) remind us, "financial institutions and actors are not coherent wholes with stable identities and shared interests." In this vein, the paper contributes to a further complication to the study of business power by distinguishing preferences within finance. To be sure, scholars have alluded to divergent preferences among German factions of finance with regards to private pensions (Oelschläger 2009; Wehlau 2009; Hassel and Naczyk 2018). But these contributions do not engage with the strategies that factions of finance employ to win political struggles amongst themselves. Contributing to filling this void is one of the main contributions of this paper.

The existing literature on businesses' strategic adjustments to changing political environments generally refers to challenges from outside the business camp, with left-leaning policymakers and organized labor as the usual antagonists. This paper, in contrast, focuses on 'incumbents' and 'challengers' (Callaghan 2018) within finance and how they employ strategies of 'confrontation' and 'adaptation' (Paster 2018) to elicit support from both policymakers and the wider business community. In other words, we may find protagonists, consenters and antagonists of pension financialization within finance (Korpi 2006), which makes inter-finance political struggles a key battleground contributing to the advancement or impediment of financialization.

In addition to extending the existing literature on businesses' political strategies to inter-finance dynamics, the paper specifies the mechanisms by which strategic shifts have a bearing on coalition building. Following Riker (1986, ix), political strategies may be most broadly defined as "structuring the world so you can win." The existing business power literature mostly problematizes but one element of such structuring, namely adjusting the pursued objective to a preference of a different hierarchical order. In the case at hand, this would be financial challengers acting on a more preferred option in reaction to political winds shifting in their favor and incumbents accordingly altering their strategy toward a less-preferred option. Let us focus on incumbents' strategy here. While existing scholarship conceptualizes businesses' options as a rather static choice between 'confrontation' or 'adaptation' (Paster 2018), this paper suggests that incumbents in fact shifted from the former to the latter in successive steps.[73] This underscores "the variation and dynamism in business positions over time" (Kinderman 2016, 591). Incumbents gave up their opposition to pension funds, while seeking to pull the design of pension funds toward their preferences.

[73] If an actor decides to act on her genuine (strategic) preference, a strategy of 'confrontation' ('adaptation') is most likely.

Beyond adjusting preferences, existing scholarship on businesses' political strategies is at a loss to explain just *how* they do the 'pulling.' This is where discursive dynamics come to play. To achieve that pension funds be insurance-fied, if this paper is right, incumbents needed to garner support from the wider business community. Business peak associations were generally skeptical about pension funds so that their preferences largely aligned with financial incumbents. But to prevent government-mandated occupational pensions, peak associations felt encouraged to advocate a voluntary alternative that was at best politically fashionable (such as pension funds). In this context, financial incumbents' reinterpretation of 'pension funds' provided something of a 'coalition magnet' (Béland and Cox 2016) that allowed business to get on board. The reformulation of 'pension funds' was the discursive complement to incumbents' strategic preference adjustment and, as such, a key mechanism explaining their eventual victory in preventing financialized pension funds. Reinterpreting 'pension funds' and giving up their fundamental opposition toward a new pension scheme mark two steps of adaptation, after confrontation had failed. In other words, the combination of adjusting strategic goals and discursive reformulations of the malleable label 'pension funds' enabled coalition building among segments of capital to thwart challengers' initiatives despite a changed political environment. In this sense, the paper not only extends existing scholarship to inter-finance and -business struggles, but refines notions of business strategies by taking a step toward integrating 'strategic constructivism' (Jabko 2006) with business power research (see also Kinderman 2016; Emmenegger and Marx 2019; Röper n.d. b).[74]

Finance vs. Finance: The Battle over the German Old Age Nest Egg

To grasp German inter-finance competition over non-state pensions and the obstacles of financialized pension funds during the 1980s and early 1990s, we first need to sketch the relevant political context. One may be tempted to draw a straight line from generous public pension systems to a private pension regime that contributes little to capital formation (Jackson and Vitols 2001). Such a link, however, is not only difficult to empirically corroborate (e.g. World Bank 1994, 307), but despite its dominance, generous public pensions did not simply 'crowd out' private (old age) saving. German private savings rates actually increased after the seminal 1957 pension reform and remained high (Hockerts 1980,

[74] Note that these claims differ from more fundamentally constructivist approaches in the business power literature where businesses' genuine ideational changes rather than adjustments to contextual changes are considered key drivers of change (e.g. Münnich 2011; Bell 2012).

383).[75] Economists have referred to this as the 'German savings puzzle.'[76] In light of the parallel *quantitative* development of public pensions and private old age savings, rather than functional derivatives of one another, we need to consider both spheres as "qualitatively drifting apart" (Wilke 2016, 47).

The 1957 reform instigated a remarkable dissociation of pension politics into "separate worlds of old age provision" (Berner 2009, 21). As the one-pillar approach meant that the public pension pillar alone should suffice to maintain one's standard of living throughout retirement, the purpose of occupational pension schemes altered from topping up meager public pensions to a tool of employee retention and motivation during times of full-employment (Hegelich 2006, 122). Wealth formation policies (*Vermögenspolitik*) often aiming at a higher share of 'productive capital in the hands of employees' were also decoupled from the old age provision context (Dietrich 1996, 222-228). Company pensions and private wealth more generally became "de-socialpoliticized" (Berner 2009, 125) and thus disjunctured from what was considered 'pension politics' or the 'pension system.' This political pillarization of the three German pension pillars (public, private and occupational) suggests that one needs to appreciate the evolution of politics pertaining to the non-public pillars in the context of the German postwar financial paradigm (Carstensen and Röper forthcoming).

Widely held to be the ideal-typical bank-based and insider-oriented variety up until the 1990s, the German financial system constituted an institutional arrangement that shielded firms from short-term market pressures and thus ensured 'patient capital' (Deeg 1999; Vitols 2004). Not least due to this conservative financial paradigm, policymakers across the political spectrum perceived policy goals pertaining to old age provision and capital formation as incommensurable: Equity-based products were considered overly speculative and thus inappropriate for private and occupational old age saving, while life insurances were deemed unsuitable to foster capital formation.[77] As the favorable tax treatment of housing and life insurances was the "strongest pillar of German saving policy" (Börsch-

[75] While life insurers received a boost due to the heightened awareness for the issue of saving for old age in the immediate aftermath of the 1957 and 1972 pension reforms (Berner 2009, 107-108), the growth of company pension schemes ebbed away after the 1957 pension reform (Manow 2001).

[76] The country "has one of the most generous public pension and health insurance systems of the world, yet private savings are high until old age" (Börsch-Supan et al. 2000, 1).

[77] A particularly instructive incident to underscore this dichotomy is a government reply to a minor parliamentary question (*kleine parlamentarische Anfrage*) from the late 1970s as to why insurers' capital sharing policies were ineligible for direct savings subsidies: since the up front coverage costs for death risk hampers efforts of immediately forming capital, such schemes would contradict the main purpose of subsidies for capital formation (Plenarprotokoll 8/144 15.03.1979, 11538).

Supan and Eymann 2000, 17)[78] and efforts to foster private capital formation through savings subsidies remained comparatively unsuccessful (Dietrich 2006a; 2006b, 2006c), the German private (old age) saving regime tended to favor the insurance sector (Vitols 2003, 104).[79] Most company pension commitments were held as internal book reserves *(Direktzusage)* with such "organizationally embedded schemes" constituting a key source of market-independent liquidity (Jackson and Vitols 2001) and as such a core element of the patient capital configuration.[80] Insurers were quasi monopolist providers or administrators of all three external types of occupational pension schemes, which in 1993 made up more than 40 percent of assets covering company pensions (Nürk and Schrader 1995, i).[81] Insurers thus became incumbents in the political field of private and occupational pensions.

Contested Continuity: Inter-Finance Relations and Preferences (pre-1995)

Whereas a division of labor between banks and insurers prevailed throughout most of the 1970s, the *principle of separation* began to blur thereafter. In the aftermath of the 1974 recession, banks lost substantial market share in private wealth formation to the insurance industry. During a time when private household wealth became an ever more important source of funding for banks (Rudolph 1987, 657),[82] insurers increased their share of private wealth from 13 percent in 1970 to more than 30 percent in the early 1990s (Krupp 1993, 335). In the words of a life insurance executive, a "battle over the nest egg" (Die Zeit 1988) ensued, which largely pertained to the *old age* nest egg.[83]

In order to regain some of the share lost to insurers, banks launched savings plans with insurance coverage (*Sparplan mit Versicherungsschutz*) in the early 1980s, a hybrid of

[78] The 1975 tax reform stipulated that only two forms of savings be tax-exempt for the purpose of old age saving: building societies (*Bausparkassen*) and life insurances, if held for at least twelve years.
[79] This is reflected in private savings pattern. Whereas in 1993 merely 12 percent of West Germans directly owned stocks, close to two thirds of households held a life insurance contract (Börsch-Supan and Eymann 2000, 2).
[80] Such pension reserves were tax-exempt, which is part of the reason why self-finance was often favored over equity issuance; with capital retained this way accounting for more than two thirds of all self-financing during the postwar decades (Manow 2001, 7).
[81] There are benefit funds (*Unterstützungskassen*), staff pension insurances (*Pensionskassen*) and direct insurances (*Direktversicherung*), which are essentially life insurances. By the late 1990s, the market leader Allianz alone had a market share in occupational pensions of more than a quarter (Zielke 2001). In 1993, life insurances constituted for roughly 10 percent and company pensions for 5 percent of total old age income (Nürk and Schrader 1995, 3).
[82] Retail banking had already during the 1970s become at least as important as corporate banking. The number of retail clients of commercial banks increased from 5 million in 1959 to more than 20 million in 1985, accounting for almost half of all non-bank deposits (Schroeder-Hohenwarth 1985, 14).
[83] Most of the market share gained by insurers between the early 1960s and the early 1980s can be attributed to life insurances (Wirtschaftswoche 1987a). In 1983 flows into life insurances of 36.2 billion DM for the first time surpassed bank deposits of 30.5 billion DM (Kürble and Hamann 1985, 371).

bank- and insurance products (Stracke 1988, 590).[84] "Hitherto it was reserved for life insurances to fill provision gaps [in public pensions], but now banks have developed suitable products as well" (Stracke 1988, 596). It is not as if banks had not offered mixed products in cooperation with insurers in the past, but savings plans with insurance coverage were an immediate attack on life insurances—or "life insurance plagiarism," in the words of an insurance executive (Peiner 1991, 273)—and thus sparked off "fierce reactions by the insurance industry" (Krupp 1993, 332). Allianz CEO Wolfgang Schieren made no secret of his aversion to the new product: "I have told the board of Deutsche Bank that the banks are on their way to break certain rules (*Ordnungsregeln)*, which simply exist in business, in this case the principle of separation. Back in the day one used to say: cobbler, stick to your trade" (Der Spiegel 1985a).

These warnings notwithstanding, Deutsche Bank took further steps toward escalating the conflict with Allianz and the insurance industry at large. In 1984, Deutsche Bank still reassured their rivals that "[a] general inroad into insurance business is not intended, especially as the insurance risk, as already practiced in connection with other bank services, is covered at insurance companies" (Deutsche Bank 1984, 46). This promise proved ephemeral, for in 1989 Deutsche Bank founded its own life insurance.[85] When this initiative covertly began to take shape, Allianz CEO Schieren warned that such a "declaration of war could prove expensive," as insurers are important customers for securities transactions and source of refinance that could take their business elsewhere (Wirtschaftswoche 1987b).[86]

Deutsche Bank and Allianz are widely considered to have formed the nucleus of the network of interlocking directorates and ownership ties that was the 'Deutschland AG' (Beyer 2006, 96). The escalating conflict between these two market leaders contradicts conceptions of non-competitive relations for the realm or private (old age) savings and belies notions of informal market sharing or even a tacit agreement. Instead, what we see is a disparately complex evolution toward both increased competition and collaboration between

[84] A first attempt to do so by Commerzbank in 1981 failed. The bank had already announced the product and printed the requisite pamphlets. But in what one may refer to as a Deutschland AG-style 'incumbent intervention,' Paul Arno Bäumer, CEO of Allianz at the time (which held a stake of 15 percent in the then third largest German bank), proclaimed that old age provision needs to remain the prerogative of the insurance industry and prevented this in the eleventh hour (Die Zeit 1988). Two years later, Deutsche Bank did not get dissuaded and launched the first savings plans with insurance coverage.

[85] Deutsche Bank even hired two former Allianz top executives to build up and lead the new life insurance (Manager Magazin 1989). In unusual bluntness, the Deutsche Bank board member responsible for retail business referred to this step as a reaction to the "declaration of war by the insurers" (Die Zeit 1988).

[86] Banks and insurers' business models have been interwoven since collaborating on sea loans in ancient times (Rudolph 1987, 656). German banks founded most of the insurance companies in the early 20th century so that most insurers were originally "insurance banks" (Kaven 1987, 150). Refinancing banks accounted for almost one third of life insurers' overall portfolio in 1984 (Schwebler 1984, 318). In addition, German insurers predominantly invested in fixed-income securities, which they bought through banks (Kratz 1979, 474).

banks and insurers (Kaven 1987),[87] with the latter employing incumbent strategies to dissuade banks from further measures of intrusion into their purview by promoting cooperation over confrontation. Upon the public outcry over banks' savings plans with insurance coverage, insurers signaled willingness to partner up with banks to provide them with the requisite insurance coverage (Wirtschaftswoche 1984). Life insurer association president Georg Schwebler warned in an article in the banking association's periodical that instead of creating new products, banks and insurers should focus on their shared potential while maintaining full product sovereignty for both parties in an "emancipated partnership," as competition could have "fatal consequences" (Schwebler 1986, 75-76).

The in-between position of investment companies further complicated this web of cooperation and competition among factions of German finance. Even though banks owned investment companies, their relationship was not unambiguously marked by mutual support.[88] On the one hand investment companies provided services beyond banks' expertise (e.g. annuities or automatic reinvestment), amounting to a collaborative division of labor. On the other hand, subsidiary investment companies absorbed liquidity that parent banks may well wanted for their balance sheets: "A conflict of interest between the investment industry and banks emerges whenever savings deposits are transformed into investment certificates, because: the more savings deposits, the higher potential lending" (interview Laux; see also Fintelmann 1978, 258-259). In practice, investment companies often had to subordinate their business interests to those of the parental banks.[89]

At the same time, investment companies' business ties to insurers grew thicker throughout the 1980s. Insurers (mostly life insurers, but also *Pensionskassen* and *Sterbekassen*), for example, were by far the main buyers of so-called special funds (*Spezialfonds*).[90] Also, the most successful example of *Allfinanz* cross-selling were maturity

[87] Commerzbank and Dresdner Bank, for example, sought to cooperate with insurers (Die Zeit 1988). For an overview of collaborations, see Stracke (1988, 597-599); GDV (1993, 60). Overall, however, the *Allfinanz* trend—the mantra postulating that in order to stay competitive in retail finance, financial firms ought to offer the whole range of financial services—at least in the medium term meant intensified market competition between banks and insurers, according to the Federal Cartel Office (Remsperger 1989, 306).

[88] While German banks are largely universal banks that can engage in a wide range of financial activities, the Investment Company Act defines investment companies as banks providing services such as asset management of both securities and properties (Fintelmann 1978, 258). For overviews of the relationship between banks and investment companies, see Baums (1995) and Steenbock (1999, 188-195).

[89] Already in the late 1950s banks vehemently opposed policy initiatives toward what they derogatively referred to as a "shareholder democracy" (Dietrich 2006a, 799-800). "As providers of deposit banking services, [universal banks] benefit through attracting more savings where small investors are discouraged from buying shares" (Callaghan 2018, 74; see also Fritsch 1991, 16). In addition, banks' top management was traditionally recruited from corporate lending departments and thus had little interest in and exposure to asset management (interviews Passow; Laux).

[90] *Publikumsfonds* are open to the general public, while *Spezialfonds* are reserved for institutional investors. In 1980 insurers accounted for almost half of all special funds volume (BVI 1981, 46), which further increased to about 75 percent in the late 1980s (Gode 1988, 430).

funds (*Ablauffonds*) that insurers sold as an interim investment when a life insurance contract expired.[91] It hardly surprises that representatives of insurers and investment companies extolled maturity funds and *Spezialfonds* as testimony to the "cooperative relationship" (Schwebler 1987, 442) between banks (by extension) and insurers (see also BVI 1987, 63-64; Gode 1988, 431). Traditionally investment companies thus played a passive role as subcontractors for both insurers and banks up until the early 1990s,[92] while benefitting from the increased competition between banks and insurers: The ever more investment fund-like products that insurers and banks created in competing over private savings made investment companies the proverbial rejoicing third and the 1980s a "golden decade" (BVI 1990, 74) for the investment industry.

Based on the introductory overview of the wider political context and this inventory of inter-finance relations, we can now establish the preferences and strategies of the three main factions of finance. Banks were clearly aware of the importance of tax exemptions for the success of life insurances.[93] In the context of the 1975 tax reform, the banking association unsuccessfully sought to obtain the same exemptions for long-term savings plans that invest in fixed-income securities and stocks (BdB 1974, 25). Only "on the down low" (Der Spiegel 1974) did commercial banks criticize this decision against their products and lamented their lack of connections to financial policymakers.[94] Insurers on the other hand

[91] Already in the early 1980s more than a quarter of all bond funds offered in Germany were solely or predominantly sold as maturity funds (BVI 1981, 49). By the late 1980s, three quarters of the largest life insurers sold investment funds (Gode 1988, 432) and one quarter of all investment funds on the German market were created and sold in cooperation with insurers, with the insurance industry accounting for 10.3 percent of total investment fund volume (Gode 1988, 431).

[92] An insurance CEO aptly synthesized this: "There are no independent investment companies in Germany—they are all either bank- or insurance-subsidiaries. Their future role will probably be confined to supplying 'semi-finished products' (in the case of unit-linked products and company pensions) [...]. This rather passive role is underscored by the fact that investment companies as subsidiaries normally do not have their own distribution network and the parent companies have little interest in an autonomous role" (Peiner 1991, 274).

[93] These privileges meant tremendous tax savings, for example, 1,275 DM on 15,000 DM invested in life insurances per annum (Der Spiegel 1974). For the tax treatment of life insurances, see Brunsbach and Lang (1998).

[94] Two key players of the Social Democratic-liberal government, Otto Graf Lambsdorff (FDP) and Alex Möller (SPD), were former insurance executives who continued to serve on supervisory boards of insurers as politicians (Der Spiegel 1974). Former bank lobbyist Rüdiger von Rosen refers to Lambsdorff as "the insurance industry's unbeatable lobbyist" (interview von Rosen). This notion that insurers were better connected within the ministry has often been raised by media outlets that were by no means bank-friendly (e.g. Die Zeit 1988) and a "donation scandal" during the late 1980s makes it hard to dismiss this out of hand (e.g. Der Spiegel 1985b). It is unlikely, however, that potentially weaker connections to relevant politicians are what kept banks from attempting to publicly mobilize against what they perceived to be unfair preferential treatment of life insurers and building societies. One is left to speculate: from a sales perspective they might well sought to avoid drawing attention to this advantage of life insurances over their own products. More importantly, banks can be expected to have perceived their chances of successfully mobilizing (public) opinion as thin in the context of salient debates about "banking power" and the critique leveled at the privileged position of universal banks (e.g. BdB 1973, 10ff.).

were cautious not to let the issue of preferential tax treatment of life insurances become the subject of public discussion.[95]

It was only in 1987 that banks undertook another (documented) unsuccessful attempt at seeking equal tax privileges for their savings plans (Rudolph 1987, 657).[96] Banks generally refrained from challenging life insurers' privileges publicly. Only in the context of the funding problems of the public pillar did the banking association even comment on pension politics for the first time in its annual reports (BdB 1987, 13). But despite the sentiment of a 'pension crisis' and a widening coalition demanding multi-pillarization, banks made no meaningful attempts—neither publicly nor in elite policy discussions—to get involved in pension issues and did not participate in the 1989 Pension Reform Act (interviews Laux; Passow; Rürup; Dreßler; von Rosen; Lueg; Schwarz-Schilling). This absence contrasts with the salience of old age saving in terms of corporate competition at the time.[97] Banks presumably saw limited chances in challenging insurers' incumbency in private pensions through political channels. At least on the political stage, private old age saving was the purview of life insurers (Stracke and Pohl 1988, 192). It was the "special lobbying success of the insurance sector" (interview Leven) that when it came to private pensions they "had a monopoly over the term" (Die Zeit 1997).

It may be surprising that throughout the 1980s and early 1990s banks were silent on pension politics and did not voice any concrete demands in terms of three-pillar reforms, let alone develop policy proposals such as pension funds. Critics charge banks with a "lack of innovative ideas" (interview Laux) in terms of thinking beyond savings plans (Rudolph 1987, 658). The key question to ask, however, is whether banks actually had a preference for pension funds to challenge insurers. For example, when the banking association's periodical reported on the Employee Retirement Income Security Act of 1974—which crucially paved the way for US 'pension fund capitalism' (McCarthy 2014)—no demands of similar tax provisions or even US-style pension funds in Germany were raised, even though the

[95] According to an investment company representative, an internal GDV memo from the early 1970s by the former life insurance CEO and first Social Democratic minister of finance, Alex Möller, contained the warning: "We shall not allow a public discussion about the appropriateness (*Sachgerechtigkeit*) of the tax advantages for insurers. We would lose such a discussion" (interview Laux).

[96] There is hardly anything on record regarding this initiative, other than snide side notes such as this one in Deutsche Bank's 1987 annual report: "Demand for our savings plan with insurance cover remained lively, despite the tax disadvantage for this form of prudential saving" (Deutsche Bank 1987, 42). Banks' cautious approach may surprise in light of ever-louder complaints about the privileges of insurers vis-à-vis banks and the uncompetitive cartel-like nature of the German insurance 'market' (e.g. Der Spiegel 1985b; Finsinger et al. 1985; Wirtschaftswoche 1987a).

[97] Consider the topics of some of the seminars that Deutsche Bank employees took in preparation of selling life insurances: "changes in the age pyramid," "current and future situation of the public pension system," "company pensions," "necessity of private old age provision" (Bohm 1990, 104-105). Dresdner Bank even began offering a consulting tool that allowed calculating individual "provision gap" based on expected benefits from public and occupational pensions (Stracke 1988, 597).

differences to German insurance-based occupational pension schemes were well understood (Die Bank 1977). During the late 1980s, a few banking practitioners began to point to the tremendous market potential that the introduction of pension funds would entail (Hauck 1987; von Rosen 1988). But such voices proposing financialized policy concepts rather than market product innovations remained rare at this point and were not picked up at the organized level. Banks did not have a first-order preference for US-style pension funds, but for more government support for their savings plans (interviews Gerke; Bank). Banks' business model was based on maturity transformation rather than annuity products (Zielke 2001). It was not necessarily for the lack of a window of opportunity or political clout that banks did not push for capital market-oriented pension schemes; it was also testament to their genuine rather than strategic preference. One may also make the case that banks had limited interest in pushing for products that would mostly benefit investment companies (interviews Laux; Passow).[98]

Investment companies had a genuine preference for pension funds (interviews Laux; Passow). A 1984 BVI 'special' entitled *Tax Advantages of Old Age Provision with Investment in the US* highlights that "[i]n terms of old age provision, German tax law has focused on life insurances. They receive far-reaching tax advantages. In the US, in contrast, there is a whole array of individual old age provision measures that are tax-wise on an equal footing" (BVI 1984, 49). This is emblematic of cautious challenges that do not make concrete demands, but hint at the desirability of equal chances both in terms of tax privileges and company pensions. As subcontractors for both banks and insurers, investment companies were in no position to challenge life insurers' tax privileges more overtly. While they advocated their own products as flexible alternatives to pure savings plans or life insurances to fill the public pensions' "provision gaps" (e.g. BVI 1983, 30; BVI 1985, 29-33), investment companies veiled policy demands of equal tax treatment with references to other countries. Rather than acting on their first order preference of equity-based pension schemes, investment companies refrained from challenging life insurers' tax privileges, presumably not least because their business ties grew thicker throughout the 1980s. When the BVI for the first time raised the detrimental effects of the German public PAYG pension system in its annual reports, they did not link this to their own products but to life insurances, which are the most important buyers of investment companies' special funds (BVI 1988, 47-50). This underscores that investment companies had yet to assume a more

[98] Further substantiating this, banks later merely condoned investment companies' AS-funds in "silent acceptance" (interview Laux)—for example, when asked about the proper label for AS-funds, a BdB representative submitted to be "very emotionless" (BdB 1997d)—and only became active protagonists once they had developed their own pension fund concept.

active political role in this field and instead perceived themselves as subcontractors, as the then BVI CEO recalls: "I didn't consider back then that we may play a role in that area, not even by the end of the 1980s. [...] That the investment industry could play a role [in old age provision] was beyond my imagination" (interview Laux).

This constellation of preferences and strategies help us understand why finance generated tremendous product convergence within the old path rather than 'path departing' policy solutions.[99] Banks had but a second order preference for pension funds, insurers sought to defend the status quo and the one faction with an interest in 'pension fund capitalism,' investment companies, was not only dependent on their parental banks, but had also developed ever closer business ties to insurers. It hardly surprises that nobody challenged incumbent insurers with financialized policy proposals, especially in light of a political environment marked by distrust of finance capitalism and a perceived incommensurability of old age provision and capital formation. The contested continuity delineated here, however, shows that organized finance did not only begin to eye pension system change as a potential source of business by the mid 1990s or that competition over private savings markedly intensified at that point, as often suggested (e.g. Pieper 2012, 208). This begs the question of what had to change for challengers to depart from the old path and propose financialized pension funds in Germany.

The Pension Fund Challenge: (Re)Defining Old Age Provision under Finance Capitalism

Upon the decision to form a Single European Market, the financial system increasingly became part of the German globalization-competitiveness debate in the second half of the 1980s (Beyer and Höpner 2003, 191). Rather than a 'big bang,' however, marginal reorientations toward finance capitalism ensued (Jürgens et al. 2000, 67; Deeg 2005). This political program of finance capitalism reached a tipping point of dominance by 1995 (Röper n.d. a), which made for a political climate that was generally more receptive to financialized policy ideas.

[99] In addition to banks offering insurance-like products, insurers themselves started offering savings plans with insurance coverage such as Gerling's "Rendite-Sparplan mit Risikoschutz" (Kürble and Hamann 1985, 373). Although unit-linked life insurances as hybrids of investment funds and insurance products had been on the German market since 1969 (Stracke and Pohl 1988, 196), these new variations of life insurances are markers of convergence in that they "approximate to bank saving schemes very closely" (Deutsche Bundesbank 1987, 18). They represent "an increasing intertwining of long-term risk protection and capital formation on the one hand and flexible capital investment on the other," to the extent that one investment company CEO even saw reason to warn life insurers that these product innovations may jeopardize their tax exemption (Gode 1988, 434). In addition, investment companies began selling "investment savings plans" and "bond fund savings plan with insurance coverage" (BVI 1985, 29-33).

The government's 1994 coalition agreement contained but vague pledges to boost both private capital formation and occupational pensions. To fill this political space, in 1995 the BVI launched the first equity fund explicitly geared toward old age saving, *Altersvorsoge Sondervermögen Fonds* (AS-funds) (Laux 1995a). AS-funds were supposed to invest at least 70 percent of their funds in stocks, properties and silent partnerships. Acting on their longstanding genuine preference for financialized pension funds, proposing AS-funds marked a contrast to investment companies' previously cautious, insurance-friendly approach. One investment company manager rejoiced when asked about AS-funds: "If that works out we've finally broken up the power-cartel of the insurance industry" (Die Zeit 1997). To avoid unnecessary confrontation with insurers and to increase the 'political chances' of AS-funds, the BVI merely demanded savings subsidies rather than tax exemptions for their new product (interview Laux; Passow 1996).[100] In typical challenger-rhetoric the BVI did not demand "privileging, but a greater variety of models in the field of occupational and private old age provision" (BVI 1996, 14).[101]

Whereas AS-funds were predominantly intended as pension fund constructs for the third pillar,[102] Deutsche Bank's research arm started to advocate occupational pension funds shortly after the BVI first presented its proposal (Nürk and Schrader 1995). Highlighting the untapped capital market potential due to internal pension reserves, Deutsche Bank Research demanded a regulatory framework that allowed DC-based, Anglo-American pension funds. Internal pension reserves were inefficient as they are not subject to external control, whereas "capital markets as an allocation-entity fundamentally guarantee efficient use of funds" (Nürk and Schrader 1995, ii). In this view, internal reserves are foregone liquidity undermining the functioning of capital markets and thus economic growth. The report also points to the insufficient equity investment by external insurance-based schemes (*Pensionskassen*) as a factor contributing to the lack of a German 'equity culture' (Nürk and Schrader 1995, 28).

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[100] BVI CEO Laux recalls his reaction to accusations by insurers at the time that investment companies were eyeing tax exemptions for AS-funds: "I said 'no, for God's sake, the AS-fund system is so good, it will prevail without tax privileges.' Because I knew: the moment I say 'only with tax privileges' the whole system is dead. I wanted to integrate the instrument into our legal system, for starters. One can always ask for tax privileges down the line" (interview Laux). As soon as the Third Financial Market Promotion Act had been passed by the Bundestag, the BVI indeed began to demand tax exemptions, pointing to the fact that AS-funds were now a government approved old age provision product (Laux 1999a).

[101] Suggestive of a difference between political emancipation at the organized level and dependence at the corporate level, AS-funds internally met with much skepticism by BVI members who feared the consequences of provoking insurers (interview Laux).

[102] The BVI prospectively presented AS-funds as a blueprint for occupational pension schemes as well (Laux 1995a), criticizing DB schemes for suffocating firms and advocating AS-funds as a DC instrument that "relieves" firms from pension reserves on their balance sheets (Laux 1995b). From a legal perspective, however, it soon seemed elusive to integrate this vehicle into the existing framework of occupational pensions (Schmitz 1998; see also Laux 1999b).

The banking association soon threw its weight behind the proposal (Massenberg 1996) and in 1997 drafted a law proposal for financialized German pension funds as the fifth type of occupational pension schemes (BdB 1997a). Financial policymakers in fact asked for this *Betriebs-Pensionsfonds* proposal toward the end of the legislative process of the Third Financial Market Promotion Act (interview Weber a; F.A.Z. 1997b). Banks' first order preference continued to be tax privileges for their savings plans and one may consider 'personal equity plans' as advocated by the Deutsche Aktieninstitut (Fritsch 1991; DAI 1996) that banks could manage themselves without having to outsource them to investment companies as the highest ranking second order preference (interviews Bank; Gerke; Laux). But in light of shifting political winds, banks began to push for pension funds as an expression of their strategic preference.

From a bird's-eye view, the challengers' initiatives constituted the integration of the finance capitalism program and pension multi-pillarization advocacy (Carstensen and Röper forthcoming). Applying arguments of finance capitalism-efficiency in terms of macro asset allocation and rates of return to the pension context, Deutsche Bank Research promoted a dual argument: "Our initiative aims to strengthen occupational pensions and at the same time broaden and deepen the Finanzplatz Deutschland" (Siedenberg 1995, 3). BVI CEO Laux similarly described his policy innovation as "killing three birds with one stone:" Boosting (private) capital formation, deepen capital markets and improving old age provision for employees (Laux 1995b). Whereas the battle over the old age nest egg had previously taken the form of market product competition within the 'old path,' the financialized pension fund challenge broke open inter-finance competition into a political battle. It is this shift in the nature of the conflict among factions of finance enabled by an altered political opportunity structure that explains why most studies take finance to only now gain an interest in the old age nest egg (see e.g. Manow 2001; Oelschläger 2009; Wehlau 2009; Hockerts 2011).

The financialized challenge sparked a battle over defining 'old age provision' and how it relates to the policy goal of deepening stock markets.[103] Challengers essentially

[103] It is worth noting that the battle over *pension* funds is of particular linguistic importance in the German context. This became apparent during the wrangle over how to label AS-funds. Initially these were called 'Pensions-Sondervermögen.' In Germany, in contrast to Austria, 'pension' stands for retirement benefits received by public employees. Therefore, the insurance industry, aba and Bundesrat lamented that 'pension' signals a false sense of security that these 'speculative' instruments cannot provide (Bundesrat-DS 605/2/97 07.10.1997, 24; GDV 1997b). The GDV went as far as referring to Pensions-Sondervermögen as a "legally sanctified labeling fraud" (GDV 1998b). The BVI demanded that Germany, just like France and others, ought to have the audacity to "separate the traditional connotation of the term 'pension' from a defined benefit-system" (BVI 1997b). The BVI unsuccessfully suggested 'Pensions-Investmentfonds' as a compromise (Laux 1998, 122), while the Bundesrat and the aba supported the term 'Spar-Sondervermögen' (aba 1997c). Parliamentary state secretary at the ministry of finance, Karl-Burkhard Caspari, asked the Bundestag's financial committee to come to a decision whether "current linguistic practice should be respected" or whether "a

sought to redefine old age saving as a capital formation process: "While they may be optional, insurance elements or defined benefits are not necessarily part of an ideal pension fund system. Old age provision is nothing but a long-term savings plan" (BVI 1997b). Challengers took aim at the longstanding "political taboo that wealth formation policies and old age provision policies be conceptually kept strictly separated, even though private old age provision is actually long-term capital formation" (Laux 1995a). Insurers, in contrast, defended a definition of old age provision that corresponded to their business model: defined benefits, guarantees and insurance elements. Incumbents aimed to establish the "qualitative difference between old age provision and wealth formation" (aba 1998). Guaranteed old age income, survivor's pension and disability insurance were the three "essentials [that] distinguish old age provision from pure investment products or capital formation" (GDV 1997a, 111).

To undermine incumbents' logic of risk protection, challengers reframed risk for the context of old age saving: "An insurance is ideal to cover potential risks of many that in reality only affect few. A defined contribution pension fund system is ideal to meet the potential risk of an insufficient old age provision that actually affects many" (BVI 1997c). Following this line of reasoning "risk does not mean the absence of a guaranteed minimum return, but to miss out on the maximally possible pension level" (Laux 1999b, 735). "And this risk is much higher for old age provision with so-called 'riskless' government bonds than for old age provision with stocks" (Laux 1999a). Rather than the "quantitative" definition of security based on predefined minimum benefits, a "qualitative" definition should be recognized as equivalent (Laux 1999a). As no investment fund since the 1970s had yielded a negative return, one may consider this an "implicit guarantee" (Weisgerber 2000, 686). In turn, an editorial in an insurance periodical snidely commented that challengers "take great pains to outwit the irresolvable contradiction of high yields and high security" (Marcus 1998, 5).

The battle of business models also manifested itself in different interpretations of the implications of the financial situation of public pensions for private old age provision. Banks and investment companies argued that higher yields in private old age saving be imperative in light of the funding problems of state pensions. Given the risk-averse character of both public pensions and life insurances, it is all the more important "to allow forms of investment that are slightly riskier" (Laux 1995a). "An instrument with above-average yields

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reinterpretation of the term 'pension' should be carried out" (Bundestag 1997). The SPD parliamentary group opposed 'Pensions-Sondervermögen' and followed the Bundesrat in supporting 'Altersvorsorge-Sondervermögen. After some back and forth the governing parties consented to this, while the Greens and the PDS abstained (Bundestag 1997).

is necessary to maintain the customary standard of living and fill the provision gap that is inescapably approaching due to demographic change" (BVI 1997a, 29). Insurers, on the other hand, argued that non-state old age provision will functionally permutate from supplements to replacements of public pensions. As a substitute, they contended, private old age provision has a higher "social political significance," which is why insurance elements become more important (GDV 1999, 13; see also Weigel 1996; GDV 1997b; Knauth 1998, 126). Challengers accordingly made sure to present their policy solutions as supplements rather than replacements (Carstensen Röper forthcoming). Previously among the most fervent critics of the public pension system, insurers now emphasized public pensions, life insurances and occupational pensions have in common that they all cover a variety of risks (GDV 1997a, 111).

These strategic adjustments by insurers extended to the question of what role capital markets ought to play in the context of the pension finance-nexus. For the longest time insurers were the ones to point to the positive effects of more capital formation through prefunded pensions that life insurances and occupational pension schemes would provide (e.g. von Bargen 1980; GDV 1981, 10; GDV 1983, 14). In reaction to the financialized challenge, however, claims by insurers such as "insurance increases the efficiency of macroeconomic capital allocation" or "insurance is a transformer of unproductive savings into productive investment" receded into the background (Schwebler 1990, 36). Instead, insurers warned of reducing non-state old age provision to an "instrument of capital market promotion" (Rupprecht 1996). Policymakers "ought not to subordinate the design of private old age provision to the goal of boosting the Finanzplatz Germany. The keyword 'old age provision' must not be the vehicle through which to achieve mass equity culture" (GDV 1998a, 14). As challenged incumbents, insurers increasingly highlighted that equities are subject to financial market risks: With investment products, as in Japan at the time, a stock market slump would jeopardize old age savings (GDV 1997, 112). Going back to the question of what constitutes old age provision, insurers argued that "wealth formation may be speculative, true old age provision must not be" (GDV 1998a, 14).[104]

Feeding into this issue, insurers criticized comparisons of rates of return between their products and pure investment products as "misleading because security of the investment and maximizing the return do not match" (GDV 1997a, 113; see also Weigel 1996). Insurers now emphasized that pure yield maximization means high risk of loss (GDV

[104] These quarrels over the hierarchy of goals pertaining to capital market development and social security are similar to debates between transnational actors, with the World Bank emphasizing the former and the ILO and ISSA the latter (Queisser 2000).

1996, 16), while also putting in question whether equity funds' rates of return were actually higher in the long-term (Rupprecht 1996; ZfgK 1996, 463; Knauth 1998, 128). Besides invoking capital market skepticism, insurers defended themselves against accusations or even "defamations" (GDV 1996, 16) by challengers that they would not contribute enough to capital market development. Not only were insurers by far the largest institutional investors in German stocks, but the fact that they did not invest as much in equities as regulatory ceilings would allow was reflective of the illiquidity of German stock markets rather than their preferences or business model (Rupprecht 1996; GDV 1997c). Instead of a lack of demand for equities on the part of insurers, supply was the problem, as unfavorable institutional incentives for firms to go public and an overall risk-averse mentality hampered German capital market development (GDV 1998a, 14).

Notwithstanding these lines of defense, by early 1998 challengers appeared to be en route to successfully redefine non-state old age provision. Policymakers were inclined to follow financialized arguments. The government picked up AS-funds as a pension fund policy solution to reform the third pension pillar as part of the 1998 Third Financial Market Promotion Act. In addition to siding with investment companies in that AS-funds did not have to offer minimum payback guarantees (BT-DS 13/8933, 184), the government even went beyond challengers' demands: While the BVI emphasized that customers could choose from a variety of insurance coverage types that may be combined with AS-funds (BVI 1996, 18; Passow 1996), the government's version of the BVI proposal did not contain such a passage (Steenbock 1999, 255; Hanau and Arteaga 1999, 542). Political support for occupational pension funds also kept growing and except for the leftist PDS, economic policymakers from all political parties demanded their introduction (Handelsblatt 1998; Hassel and Naczyk 2018, 77ff.). The government coalition was keen to pass the banking association's proposal for Betriebs-Pensionsfonds. Despite this political will, pension funds were not passed before the 1998 federal election due to the overall complexity and unresolved issues pertaining to taxation (BT-DS 13/8933, 184). The government coalition and the SPD, however, expressed their intent to pass financialized pension funds at the beginning of the next term in similar resolution proposals (BT-DS 13/9923; BT-DS 13/9924).

Last-minute attempts by incumbents to prevent Betriebs-Pensionsfonds indicate how challenger-friendly policymakers were at the time. The aba condemned the banks' proposal in what spawned a fervent letter exchange with the chairman of the financial committee, Carl-Ludwig Thiele, and the BdB. The banks' concept stipulated that investment companies were supposed to manage Betriebs-Pensionsfonds' assets, while allowing for insurers, banks

and other financial service providers to act as fiduciaries (Weber 1998, 341). The aba criticized the legal import of fiduciaries, as in the German context conflicts of interests between banks and investment companies as fiduciaries and asset managers "would inevitably emerge" (aba 1997b). The aba offered to develop a proposal for pension funds themselves, which chairman Thiele rejected (Thiele 1997).[105] Insurers managed to get their hands on a draft of the government coalition's resolution proposal and demanded to remove the section that authorized solely investment companies to manage pension funds' assets, which would be an unduly favoring given that banks and insurers were similarly suited. Insurers suggested a rewording: "Pensions are to be developed based on the existing types of occupational old age provision or from within these types" (GDV 1998b). In addition, the GDV asked to include "social political components" such as insurance elements, as "the proposal gives the impression that it is primarily about the promotion of capital markets, while the protection of employees in the context of a declining pension provision is of subordinate importance" (GDV 1998b). The final resolution proposal, however, did not accommodate any of these demands. At this point, challengers appeared all but certain to get their preferred version of German pension funds passed and banks were justifiably confident that their Betriebs-Pensionsfonds would soon be legalized (Weber 1998, 343). The next section tracks how incumbents managed to prevent that.

Incumbents' Response Strategy: Two-Step Adaptation

The 1995 Deutsche Bank Research report kick-started the debate about pension funds as an additional occupational pension scheme and became its main reference point (Kolvenbach 1997, 290; Schmalenbach Gesellschaft 1998, 321; Schmitz 1998, 1202). Responding to the challenge, incumbents initially denied the need to establish any type of pension fund and instead advocated merely adjusting the existing framework. The aba's 1995 *Memorandum for Securing and Fostering Occupational Old Age Provision in Germany* demanded a "modernization" of the existing system in terms of liberalizing investment ceilings (aba 1995, 17) and 'restoration' of the 1974 conditions by reversing the increased tax burden on occupational pensions since then (aba 1995, 19). In 1996, the aba began to react to the "flood of publications and articles in the media recommending pension funds" (aba 1996, 329) in arguing that Anglo-American pension funds would constitute an unnecessary experiment.

[105] The BdB responded by pointing to recent exchanges with an aba subcommittee where the "feigned arguments" raised in the letter by the aba were not confirmed, which is why a public retraction may be in order (BdB 1997b). The BdB emphasized that they "always made sure not to derogate other types of old age provision" (BdB 1997c).

They lamented that the proposed financialized concepts were often vague in terms of their design, which led to "content-related confusion" (aba 1996, 329). Insurers reacted similarly when submitting that existing types of occupational pensions, Unterstützungskassen and Pensionskassen, merely required tweaking to provide the benefits attributed to pension funds (Schneevoigt 1995; Rupprecht 1996; GDV 1996). In typical incumbent manner, these continuity agents opposed new concepts of old age provision and instead advocated further developing the 'tried and proven' ones already in place.

As it became increasingly apparent that the truck pension funds was politically all gassed up and on the road, incumbents began to propose 'pension funds' that adhered to their business model and the requisite conception of old age provision. In seeking to reinterpret 'pension funds,' they took the first step toward strategic adaptation. Incumbents focused their efforts on dominating the common connotation of 'pension funds' in the context of what has been referred to as a "Babylonian language confusion" (Stiefermann 1998, 358). Originally conceived by Kolvenbach (1997, 290) as a Pensionsfonds-Unterstützungskasse in explicit response to Deutsche Bank Research's report, the aba proposed a pension fund version of Unterstützungskassen called "model 'second pillar'" (Modell "zweite Säule") (aba 1998b). Around the same time, insurers began to advocate Euro-Pensionskassen as a "German pension fund model" (Rupprecht 1997, 14) in what basically constitutes a slightly liberalized version of existing Pensionskassen in terms of investment ceilings (GDV 1997, 20; see also Knauth 1998, 129-130).[106] "The well-established system of occupational old age provision would not be blasted, but further developed from within" (GDV 1997d, 29). One practitioner who has worked for the BDA, GDV and aba recalls:

> Aba, BDA, GDV were of the opinion that we don't need a new type of occupational pension scheme. We don't need pension funds. They only came into existence down the line because one just needed a new vehicle and wanted to be chic and new. [...] Pension fund is a dazzling term that you can affix to anything, but the question remains what's inside. [...] At the end it was important to policymakers to have the term 'pension funds,' to have something new (interview Stiefermann).

Note that except for a few outliers, who saw the introduction of pension funds as a fifth type of occupational pension scheme as an opportunity to unlock new market potential (e.g. life insurance manager Holzwarth 1997), incumbents still fought to prevent this. Neither the preferences nor the substance of incumbents' demands had changed, only the framing. They merely window dressed their previous demands of modernization with the term 'pension fund.' Rather than a smoke screen in terms of strategically misstating

[106] Further insurance-based pension fund reform proposals for Unterstützungskassen include Bode and Grabner's (1997) Betriebsrentenfonds and Rößler's (1997) conception.

preferences (Broockman 2012), this meant a reinterpretation of pension funds' substantive content.

Allianz board member Diethart Breipohl characterized the situation at the time in unusual bluntness: "We're in the middle of the fiercest competitive wrangling and everybody knows: an incredible amount of money is at stake" (F.A.Z. 1997a). Despite extensive efforts to reinterpret pension funds by developing 'insurance-fied' proposals and producing a stream of publications, by early 1998 incumbents still did not seem to gain the upper hand (see previous section). What had to change for continuity agents to prevail? Hassel and Naczyk (2018) argue that it was the shift in policy venues from the 'quiet' (Culpepper 2011) financial sphere to the much 'louder' pension arena, where the question of introducing pension funds was linked to cutbacks in public pensions. In particular, they submit that it was the mobilization by organized labor against financialized pension funds that accounts for insurance-fied concepts reigning supreme (Hassel and Naczyk 2018, 72). It holds true that organized labor opposed financialized pension funds during the debates leading up to the PRA2001 (e.g. DGB 2000; IG Metall 2000) and did not meaningfully engage with the specifics of redesigning the second and third pensions pillars until after 1998.[107] Yet, I submit that Hassel and Naczyk's (2018) perspective potentially leads to glossing over the effective opposition to financialized pension funds from within the business community. Whereas Hassel and Naczyk's (2018) argument at least implies that incumbents' defense was causally inconsequential, I show that incumbents managed to elicit support from business at large and meaningfully thwarted their challengers' pension fund initiatives prior to the shift in venues in 1998 and thus the participation of organized labor.

In January 1998, the Ministry of Finance initiated the working group "Occupational Pension Funds" (F.A.Z. 1998). Banking, investment industry, insurance and NFC representatives were supposed to develop pathways toward German pension funds. The differences between challengers and incumbents seemed irreconcilable and the initially designated chairman, Hans Büschgen, soon threw in the towel (interview anonymous). His successor Wolfgang Gerke recalls: "That we would agree on a final report was uncertain until the end. [...] Until the end insurers didn't accept the draft. Insurers didn't want to allow a type [of occupational pension scheme] with investment fund involvement. They considered occupational old age provision to be their baby" (interview Gerke). Whilst not throwing its

[107] Labor not only prioritized protecting public pensions from retrenchment, but also barely engaged with the issues discussed in this section for the longest time in an "under-representation of other societal stakeholders" (Mügge, 2010, 9) that is said to be characteristic of financial politics. For example, during the parliamentary debates of two key legislations, Third Financial Market Promotion Act and Drittes Vermögensbildungsgesetz, organized labor barely participated, as evinced by its absence from the public hearing for the Third Financial Market Promotion Act.

weight behind either party, the Ministry of Finance created tremendous pressure to agree on a final report (interviews anonymous; Bank; Gerke). It was only in the eleventh hour that "at the highest level, most likely including [chancellor] Kohl, but definitely between [finance minister] Waigel and the insurers, a decision was reached due to massive political pressure" (interview Gerke). The decision was for insurers to accept a fifth type of occupational pension schemes, marking their second step of adaptation.

What at first may seem like a victory for challengers is qualified by a closer look at the substance of the 'Gerke commission's' final report from July 1998. The report proposes three varieties of pension funds. 'Betriebsunmittelbare Pensionsfonds' and 'betriebsmittelbare Pensionsfonds' constituted modernized versions of existing types of occupational pension as advocated by incumbents, whereas 'anlageorientierte Pensionsfonds' were DC-based and thus the actual novelty (Gerke 1998, 26-38). The proposals were generally indicative of a shift toward equity-orientation in terms of liberalized investment ceilings and the belief that especially DC pension funds will allow "employees to fully participate in capital market yields," which will "strengthen the competitive position of the Finanzplatz Deutschland" (Gerke 1998, 4). Yet, even though the report claims to strike a balance between the "legitimate interest divergence" (Gerke 1998, iv) among the participants, it largely aligned with the preferences of incumbents. The report upholds an insurance-based conception of old age provision that could be taken in verbatim from a GDV or aba publication and rejects a definition as pure capital formation (Gerke 1998, 5-6). More importantly, even the DC pension fund variety ought to insure against biometric risks and guarantee the payout of nominal contributions (Gerke 1998, 24-25). As such, anlageorientierte Pensionsfonds were in fact not DC based, but hybrids with "constructional contradictions" (Blomeyer 1998, 1741) from both an economic and a legal perspective (Hanau and Arteaga 1999, 552ff.).[108]

Whereas insurers were still unmistakably opposed to a fifth type of occupational pension, they strategically accommodated themselves to the situation. Their first order preference never changed, but as they appeared to be losing the battle over pension funds, they altered their response strategy to the financialized challenge from 'confrontation' to 'adaptation' (Paster 2018). Fighting rearguard action, incumbents first started to reinterpret pension funds so that they aligned with their preferences and later only gave up their

[108] This is in line with insurers paying lip service to welcoming the "trend toward contribution-based systems" whilst demanding that the "benefit risk is not transferred to employees and old age provision thus becomes an incalculable quantity" (Knauth 1998, 129). As 'an intermediate step' they had demanded a balance of both contribution and benefits with so-called beitragsorientierte Leistungszusage (GDV 1997a, 19-20; see also Hanau et al. 1997); thus absorbing growing demands by organized business to reduce financials risks for employers (aba 1997a). Yet, this hybrid still technically meant DB in line with insurers' business model (Bode and Grabner 1997, 931) and is reflective of the Gerke-commission's proposal.

opposition to a fifth scheme under the condition that its design was insurance-fied (see Table 2 for an overview). Insurers' reluctant decision not to veto a final report proposing a fifth type turned out to be a crucial adaptive move to prevent financialized pension funds. In the following insurers applauded the commission's report, which was presented as a reasonable step to appease the conflict over pension funds between banks and insurers (Schmitz 1998; GDV 1998a, 14-17; Knospe 1998, 581).

Table 2: Incumbents' Positions vis-à-vis Pension Funds over Time

Date:	*Incumbent Position:*
1995 - 1996	*Confrontation*: Incumbents reject any type of pension fund and disregard these as unnecessary experiments. They advocate adjusting the existing 'tried and proven' framework.
July 1997	*First Adaptation*: Incumbents reinterpret the substantive content of pension funds. They propose 'pension funds' (aba's Modell zweite Säule and insurers' Euro-Pensionskassen) that adhere to their business model and thus align with their preferences.
July 1998	*Second Adaptation*: Incumbents consent to an additional, fifth type of occupational pension scheme with investment fund involvement during the 'Gerke commission,' under the condition that its design be insurance-fied.

Banks, in contrast, openly criticized the commission's report, lamenting "severe design flaws" and pointing to the "contradiction" inherent in the pseudo DC pension funds (BdB 1999, 22-23). Rather than throwing their weight behind the commission's proposal, banks continued to advocate their own Betriebs-Pensionsfonds proposal from 1997 (BdB 1999). That does not mean that banks considered themselves the losers of the commission-negotiations, as BdB CEO Manfred Weber's recollections underscore: "From the perspective of banks I considered it a great victory, as financial market products were for the first time recognized in occupational old age provision. The fact that this wasn't excluded out of hand was a success" (interview Weber b). Accepting an insurance-fied pension fund was the concession challengers had to make for insurers to retreat from vetoing the new type altogether.[109]

[109] The extent to which challengers accommodated insurers' adaptive move becomes particularly apparent in an earlier, unpublished draft of the final report that the author obtained. The draft was largely congruent with the final version, except for the passages most relevant to challengers. A sentence suggesting that the DC-based *analageorientierte Pensionsfonds* 'invest' in AS-funds did not make it into the final draft and passages on minimum guarantees that left room for interpretation in the draft, were unambiguous in the final version. The only sections that were omitted altogether referred to the *Implications of the Reform Proposals from the*

Why did challengers not manage to pull the commissions' consensus further toward their preferences? Against the backdrop of Hassel and Naczyk's (2018) argument this defeat is particularly remarkable, given that the ad hoc committee was not only remote from public scrutiny and thus particularly 'quiet,' but also considering that organized labor was not involved. Whereas incumbents failed to persuade financial policymakers during parliamentary debates, they made headway when the forum was limited to organized finance and business at large. The outcome of the Gerke-commission suggests that challengers did not manage to elicit support from the other participants, that is the wider business community.[110] To verify this it is felicitous to briefly consider the positioning of organized business vis-à-vis pension funds over time.[111]

From the start, organized business did not show much enthusiasm for the financialized pension fund challenge, as lamented by one BdB representative at the time (Massenberg 1996, 768). It mostly drew criticism from employers for the notion of subordinating policy goals of old age provision to that of deepening capital markets. Especially the second part of Deutsche Bank Research's (1995) title *From Internal Pension Reserves to Pension Funds: A Chance for the German Financial Market* was perceived as an attack by many NFCs (Schmitz 1996, 1550; Schmalenbach Gesellschaft 1998, 321; interview Stiefermann). Deutsche Bank Research saw itself forced to clarify that banks did not want to make it harder for firms to raise equity or even abolish the practice of internal pension reserves, but merely aimed at a level playing field (Siedenberg 1995). Representatives of NFCs and the BDA submitted that boosting capital markets must not be a primary goal for employers when providing occupational pensions (Gentz 1997; interview Hansen). As one practitioner recalls: "I was with the BDA back then and it was unequivocal that we said that's the wrong way around: capital markets ought to support occupational pensions but not the other way around" (interview Stiefermann).

Perhaps even more irritating to business was the financialized argument that internal pension reserves were generally inefficient and outdated: "To claim that about 50,000 employers are practicing something pretty stupid [...] was an attack on company pensions [...] which for many firms are a matter of identity, tradition and bonding" (interview

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Perspective of...the Insurance Industry (5.5.3), *Investment Industry* (5.5.4) and *Banks* (5.5.5). Especially banks ventilated their dissatisfaction here, suggesting in harsh terms that the commission did not live up to its mission.

[110] Note that the Ministry of Finance signaled willingness to accept a more financialized version of pension funds (interview Weber b).

[111] Note that the line between business and finance is blurred by the fact that the aba—an actor with "an enormously strong position that also holds sway over companies" (interview Leven)—is placed at the intersection between financial incumbents and the larger business community.

Stiefermann). Business instead argued that the question of outside vs. inside funding depended on the specificities of each company (Schmalenbach Gesellschaft 1998, 325-330; interview Stiefermann; see also Sprink 1991, 49). BdB CEO Weber recalls: "The industry's approach was that what was important from a company perspective had to be maintained. They would have preferred to keep it at firm-level [*betrieblich*] solutions and generally didn't have much fondness for external pension funds. Capital was supposed to remain within the company" (interview Weber b). To accommodate businesses' skepticism vis-à-vis pension funds, banks labeled their proposal Betriebs-Pensionfonds (company pension funds). "The name was a terminological gesture of goodwill to signal to companies that we did not want to take anything away from them. The wording is very important to avoid reservations" (interview Weber b). This underscores the sway that organized business held over this issue. "We couldn't have mobilized against companies or industry through the media or politicians. That would have been hubris. Therefore one ought to avoid confrontation" (interview Weber b).

Beyond the issue of subordination, which is in certain ways reminiscent of the notion of 'finance as servant,' the main business associations initially did not take a strong stance on pension funds. As umbrella organizations the BDA and BDI represent nearly all German business associations and NFCs displayed rather disparate preferences (Hassel and Naczyk 2018, 76). Also, the BDA generally does not want to advocate certain business models over others (interview Hansen). This began to change when financial incumbents shifted strategy and reinterpreted 'pension funds.' In mid-1997, BDA, BDI, BdB and GDV in fact issued a joint statement in support of pension funds, though without specifying details regarding guarantees and insurance elements (Schmitz 1998, 1202).[112] At this point organized business increasingly began to position itself in opposition to the challengers' pension fund version (BDI 1997; Stiefermann 1997a, 209). By reinterpreting 'pension funds,' financial incumbents thus provided organized business with the opportunity to support politically fashionable pension funds while acting on their preference for insurance-fied varieties (see also Henkel 2000).

Employers would have had good reason to support financialized pension funds, as true DC schemes liberate them from potentially incalculable future financial burden. After all, German occupational pensions had become increasingly unattractive for firms, as the decreasing returns on internal book reserves fell short of the generous, pre-defined benefit

[112] Joint demands included downstream taxation for all types of occupational pension schemes, tax-free transfer of funds across schemes, liberalized investment ceilings and more contribution- rather than benefit-orientation (Stiefermann 1997b, 472).

promises and waves of early retirements put a serious strain on balance sheets (Manow 2001, 3). Firms began to lament DB schemes in light of these growing pension net liabilities (interview Hansen; Clark et al. 2000). At the same time, financialized pension funds have more independence from the plan sponsor of which employers were wary, as this may pave the way for pension funds to develop an "affinity with employee interests" (Schmalenbach Gesellschaft 1998, 325-326) and thus lead to "over-codetermination" (*Übermitbestimmung*) (interview Stiefermann).[113] The importance of this fear among employers is underscored by Deutsche Bank Research's extensive discussion of potential over-codetermination through pension funds (Nürk and Schrader 1995, 32ff.). This is reflective of the longstanding fear and active political opposition by both finance and business toward collectivized arrangements (*Tariffonds*) in the context of deferred compensation schemes in the policy field of Vermögenspolitik (Dietrich 2006b). Employers' main priority in pension politics at large, however, was to prevent any form of government-mandated occupational pensions (interview Hansen). Against this backdrop it made sense for them to advocate pension funds as an attractive alternative to mandatory solutions, but given their general skepticism, to favor insurance-fied versions.

Employers largely sided with financial incumbents regarding the substantive design of German pension funds. This support prevailed throughout the debates leading up to the PRA2001. Both the BDA and the BDI supported incumbents' definition of old age provision in terms of guarantees and insurance elements, while demanding actual DC pension funds (BDI 2000; BDA 2000b).[114] A BDA representative directly referenced the Gerke-commission's report when welcoming the government's pension fund proposal during a public hearing: "This a German path that builds on the proposals by the Gerke-commission, which I deem a reasonable starting point" (BDA 2001). In his 'expert assessment' of the PRA2001 proposal, the incumbent-friendly academic Klaus Heubeck similarly demanded to "revive the ideas for 'pension funds' as already developed by the Gerke-commission" (Heubeck 2000). This shows that financial challengers' consent to the commission's report was used against them down the line, whereas financial challengers sought to remind policymakers of their pre-commission resolution proposals (BdB 2000b). To be sure, this does not provide evidence that organized labor did not matter for the outcome that was the

[113] For discussions of business interests in occupational pensions, see Bridgen and Meyer (2005); Meyer and Bridgen (2012); Naczyk (2016); van der Zwan (forthcoming).

[114] Not all of organized business opposed financialized pension funds. Essentially in line with Mares (2003), associations dominated by SMEs like the DIHT and the ZDH deviated from the umbrella organizations and even issued joint statements with banks and investment companies (BdB 2000a, 37-39; DIHT 2000). Financial challengers had always touted their proposals as particularly promising in terms of increasing coverage among SME employees.

insurance-fied pension fund design established through the PRA2001 or that it was mainly the interventions by financial incumbents and organized business that shaped this outcome. Instead, this section suggests that financial incumbents and organized business at large were causally more consequential antagonists of the financialization of German non-state pensions and thus contributed more to their continuity than commonly recognized.

Outlook

This paper has revisited the political battle over establishing pension funds in Germany among segments of capital. Even though the PRA2001 has been rightfully characterized as a "gigantic capital-market extension programme via the creation and motivation of private demand" (Lamping and Rüb 2004, 182), the analysis above has shown that segments of finance and business successfully warded off a more substantial financialization of private and occupational pensions. The paper has highlighted that capital-commanding profit-seekers may actually become antagonists of financialization who adaptively employ political discursive defense strategies. This suggests that the conflicts among capitalists over the financialization of social policymaking are a battleground worth exploring in future research. The 'great risk shift' (Hacker 2006), especially in the context of the increasing relative importance of private and occupational pensions, makes a more nuanced understanding of the politics pertaining to design specificities of the second and third pillar imperative. In the interest of a more dynamic understanding of political conflict, future research may also further examine the conditions under which business actors shift strategies.

Another promising research avenue to enhance our understanding of the politics of the pension-finance nexus are cross-country analyses of inter-finance relations in the political field of private old age provision. More systematic inquiries may explore the factors determining alliances between factions of finance and business. After all, the blurring of lines between insurers and asset managers' business models is an international phenomenon (Financial Times 2018). Another recent development among financial sector actors that may well have major implications for pension policymaking is the emergence of 'asset manager capitalism' (Braun 2016). Blackrock and Co can be expected to have the most unambiguous preference for internationally standardized old age provision products, as is reflected in their advocacy for a EU-mandated "cross-border personal pension fund" (EUobserver 2018). Appreciating divergent interests and shifting power relations within finance will be indispensable to make sense of these developments.

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5. The Politics of Framing: Foreign Ideas and German Pensions

The rich body of diffusion literature emerged as a welcome corrective to purely domestic perspectives on policy change focusing solely on 'internal determinants' (Berry and Berry 1990). While recurring to a variety of underlying mechanisms—including constructivism, coercion, competition and learning—diffusion studies share a "focus on the influence of an external source of pressure or ideas" (Dobbin et al. 2007, 457). Within the subfield of global social studies, pensions—in particular the diffusion of pension privatization reforms since the 1980s—has become the most thoroughly studied policy domain (Kaasch 2013, 50). Whereas some authors focus on the transnational advocacy of actors such as the World Bank (Müller 1999; Madrid 2003; Orenstein 2005; 2008) and others on the diffusion among peer countries (Brooks 2005; Weyland 2005), they all consider the policy ideas underlying pension liberalization as conceived and developed exogenously; as "global ideas" (Ervik 2005) that provide templates for policy change and oftentimes shape the preferences of national actors. As such, this literature attributes a *substantive* role to foreign ideas and/or transnational actors in domestic policy innovation and politics.

The diffusion literature has not always succeeded in demonstrating beyond correlational patterns "when and where diffusion becomes causally relevant in domestic policy choice" (Brooks 2007, 701; Dobbin et al. 2007).[115] A common line of critique is that nation states are conceived as largely passive recipients of global or peer countries' policy models, which downplays national contestation.[116] Establishing the causal impact of foreign pension policy models and transnational actors has proven particularly problematic for developed political economies.[117] To accommodate political dynamics in internationally embedded yet nationally idiosyncratic and autonomous political economies, ample literatures on policy transfer (e.g. Dolowitz and Marsh 1996; 2000; Benson and Jordan 2011; Stone 2012) and translation (e.g. Jabko 2006; Freeman 2009; Goutas and Lane 2009; Ban 2016) have emerged. Assuming that 'ideas do not float freely' (Risse-Kappen 1994) and local actors do not just replicate foreign models, these scholars emphasize the malleability of policy ideas throughout their 'localization' (Acharya 2004) and the political struggles that accompany this recombining of foreign ideas with local institutions.

[115] Oftentimes the mere involvement of a transnational actor in an advisory council or the equivalency between external and domestic policies is taken as proof of diffusion, instead of showing "that powerful actors in the policy sphere actually used those ideas to make concrete policy decisions" (Ban 2016, 25).
[116] The charge that diffusion studies ignore the malleability of ideas has not remained uncontested (Rogers 2003).
[117] Brooks (2005), for example, finds no evidence of pension privatization diffusion among rich countries. Yet, others have been optimistic that their diffusion arguments travel to developed countries (Orenstein 2005, 175; 2013, 260). In one curious case the author makes a diffusion argument while presenting empirics that suggest domestic origins of policy development and advocacy (Ervik 2005, 45-46).

While the transfer and translation literatures fruitfully bridge purely domestic and global perspectives on institutional change, they are also premised on *substantive* exogenous ideational impact. They assume that policy ideas are conceived and developed externally, focusing on countries that "are on the receiving end" (Ban 2016, 30). In contrast, bricolage refers to the reconfiguration of familiar institutional logics of action or policy ideas that are reactivated after having laid idle for some time, that is "the recombination only of old locally given ones" (Campbell 2004, 80; see also Morgan and Quack 2005; Schneiberg 2007; Carstensen 2011). It follows from this exclusive focus on preexisting, homegrown ideas that bricolage conceptually precludes *substantive* exogenous ideational impact. The different roles attributed to exogenous ideas point to an explanatory blind spot between the translation/transfer and bricolage perspectives. What about cases where foreign ideas might not have had a substantive impact in the sense of crucially shaping local actors' preferences or providing novel templates, but still featured saliently in public discourse? Are such invocations of foreign ideas causally inconsequential?

I aver that filling this gap requires considering foreign ideas as a discursive 'weapon' (Blyth 2001) in the arsenal of political-rhetorical strategies that underlie "symbolic bricolage" (Campbell 2004, 69). Foreign ideas may thus become framing devices that serve to promote and legitimize ideas in "an effort to portray an issue in terms that link it to other beliefs" (Hall 2006, 134). Foreign models as frames of "discursive bricolage" (Campbell 2004, 71) can be employed to bring "[s]ubdominant institutional logic[s] and 'hidden pockets'" (Morgan and Quack 2005, 1780) or "minority discourses waiting in the wings" (Schmidt 2002, 223) in a Lakatosian sense to the fore. The analytical upshot is that foreign models can be causally consequential as (symbolic) framing devices, even if their underlying ideas had substantively long been conceived and advocated in a domestic context. Rather than rejecting the importance of foreign ideas, the article thus sets out to specify *how* exogenous policy ideas factor into local (pension) politics by explicitly considering foreign ideas as points of reference for framing exercises and linking this to the question of origins of change.

Actors may use foreign reference points strategically to further their interests. They seek out and invoke foreign references—be it in the form of a conceivably successful pension system in another country or policy proposals by transnational organizations—that correspond to their preferences. This may be a way to increase the legitimacy of one's propositions by leveraging positively connoted precedents that demonstrate the possibility of their practical implementation and superiority (Bönker 2005, 345) or bolster the case for the

urgency to take action in the sense of a 'everyone else is already doing it' type of catching-up argument. Actors may also invoke foreign examples as cautionary tales to delegitimize their opponents. To be sure, the idea that local actors may not substantively learn from abroad but still use foreign references is hardly news (e.g. Bennet 1991; Robertson 1991; Rose 1991). The lesson-drawing literature—a precursor to the policy transfer literature—that considers 'policy lessons as political weapons' (Robertson 1991), however, is fundamentally apolitical due to its rationalist underpinnings (Bulmer et al. 2007, 13). It has yet to appreciate that foreign reference points are malleable to the extent that the same frame may be used to both *impel* and *impede* change in political struggles. In other words, through symbolic bricolage the same 'foreign frame' that change agents use may be reinterpreted by competing continuity agents and thus converted into a defensive tool. Hence, the discursive weaponization of foreign ideas and the battle over their *Deutungshoheit* is conceivably more complex and potentially consequential than commonly recognized.

To demonstrate the lacuna in the literature and the implications of the argument developed above, this article revisits the case of German pension politics. German pensions can be considered a paradigmatic case, as the country's post war configuration constitutes the almost ideal typical 'conservative' pension system (Esping-Andersen 1990) as well as an *extreme case* in terms of how change-averse it has been and continues to be in many ways (Trampusch 2009, 30). Two seemingly contradictory and a priori equally legitimate observations follow from this. On the one hand, Germany is a prime candidate for a case where pension policy ideas are 'homegrown.' The country was *the* pioneer of the modern welfare state and stood at the beginning of what may be considered the first wave of pension diffusion (Orenstein 2003, 175). It seems reasonable to assume that in a political economy with such a rich intellectual (pension) history and ongoing pension political struggles between ordoliberals and 'Bismarckians' (Nullmeier and Rüb 1993), relevant policy ideas of pension multi-pillarization had long been conceived and advocated before transnational actors began their global campaign or foreign models such as Chile emerged in the 1980s. On the other hand, Germany saw a baffling paradigm shift toward multi-pillarization in the early 2000s, involving the introduction of pension funds and tax-subsidized prefunded schemes for occupational and private pensions. As this path departure, at least in broad strokes, adhered to demands by the World Bank and the OECD (Schmähl 2003, 137) and foreign pension systems featured saliently in public discourse, it hardly surprises that scholars have attributed central importance to exogenous ideational influences (e.g. Hinrichs 2004, 276; Bönker 2005, 353-355; Dixon and Sorsa 2009, 358). This article contributes to solving this puzzle and raises the broader question of whether core and peripheral states

differ in terms of exogenous ideational impact and, by extension, the viability of the concepts of bricolage and translation.

I argue that foreign pension ideas did not have a substantive impact on the crafting of German pension policy innovations and local preference formation, but played a crucial role as symbolic ex post facto framing devices in political combat. Pension iconoclasts during the 1980s and 1990s predominantly developed their policy ideas 'from within' by reconfiguring traditional domestic schools of thought and concepts from other policy fields. Both their diagnosis of the 'pension crisis' and the search for alternative solutions were guided by longstanding domestic minority discourses pertaining to multi-pillarization rather than foreign problem definitions and policy templates. Even in the context of establishing 'Anglo-American pension funds'—a paragon of the diffusion and translation literatures—foreign ideas played a symbolic rather than a substantive role. Change agents initially used 'Anglo-American pension funds' as a frame to advocate more 'financialized' old age provision schemes in line with their longstanding preferences. During the ensuing political struggles, however, continuity agents successfully reinterpreted the same frame in what is best described as *label localization*. 'Anglo-American pension funds' thus became an effective weapon to dampen pension financialization and a framing device of symbolic bricolage to veneer continuity as the translation of a policy innovation from elsewhere.

Beyond theorizing, the impact of foreign ideas is a thorny empirical question. Rather than, for example, deducing the impact of the World Bank from the number of times the 'three-pillar' metaphor was used at a certain point in time or taking the equivalency between foreign models and local reforms as evidence of substantive diffusion, this article applies process tracing techniques. The analysis traces whether exogenous ideas had a substantive impact on pension policy innovations in what amounts to the "extremely complicated, difficult task of distinguishing between a justificatory role and an information processing function" (George and Bennett 2004, 197). This is a definitional issue, for ideas can never be fully domestic or exogenous, given that national political and academic debates do not occur in a vacuum. Substantive exogenous ideational impact is defined here as foreign pension systems or transnational actors having a genuinely causal role in providing a policy template for local policy entrepreneurs and/or shaping their fundamental preferences. Rather than a discrete 'test' of the hypothesized substantive versus symbolic functions of foreign models, the analysis pursues illustrative 'explaining-outcome' process tracing (Beach and Pedersen 2013) to empirically corroborate the argument developed above in three steps:

First, if foreign models functioned substantively as idea generators or preference shapers, we should not find the underlying policy ideas advocated by prominent local actors before their diffusion or translation from elsewhere. By briefly surveying the pension-political fault lines and contending policy ideas during the postwar decades, I show that (ordoliberal) multi-pillarization ideas had been present in Germany as minority discourses before the global diffusion wave is said to have spread from "'laboratory' countries" (Orenstein 2005, 179) in the early 1980s. This indicates both that multi-pillarization ideas had been around since at least the 1950s and that their advocates did not meaningfully change their preferences during the 1960s and 1970s, which combined sheds doubt on the substantive impact of exogenous policy ideas thereafter.

Second, if foreign ideas provided substantive inspiration for German pension debates during the 1980s and 1990s, they should have had a bearing on the conception of iconoclastic policy ideas. It seems apposite to focus on individual iconoclasts; not just because the pension diffusion literature and ideational institutionalism (II) more generally place high importance on individual policy entrepreneurs (e.g. Béland and Orenstein 2013, 134; Widmaier 2016). If the focus of research is on the origins of ideas, it is pertinent to probe into the idea formation processes among the pioneers to champion these. Foreign ideas can be expected to most likely have had a bearing on the idea conception and preference formation among such iconoclasts, for they necessarily immerse themselves in the field of interest and thus should have the highest proclivity to look abroad for input.[118] Based on case knowledge and secondary literature I have inductively identified four policymakers who have conceived key liberal pension policy innovations.[119] I reconstruct their ideational influences based on secondary literature, documentary research and expert interviews.[120] During the semi-structured interviews with the iconoclasts in question I asked them about the sources they consulted, the people who left an impression on them and the political

[118] This micro-level focus on individuals is an analytical choice that is complementary to broader perspectives on 'knowledge regimes' (Campbell and Pedersen 2014). Clearly the conception of ideas is only one part of the puzzle, for "ideas acquire force, when they find organizational means of expression" (Hall 1986, 19).

[119] During the 1980s, Kurt Biedenkopf (CDU) revived ordoliberal three-pillar pension ideas (Bönker 2005, 356) and former Telecommunications Minister Christian Schwarz-Schilling transferred liberal arguments praising prefunded pensions from the academic to the political debate (Nullmeier and Rüb 1993, 374). During the 1990s, Andreas Storm (CDU) developed the 'demographic component' as a key tool to accommodate population ageing (Hinrichs 2005, 56) and long-time union leader and former labor minister Walter Riester applied ideas of employee participation in productive capital to the context of pensions (Trampusch 2006, 67).

[120] One may reasonably lament that it is commonly academics or activists rather than policymakers who originate new ideas. I understand iconoclastic policymakers as transmitters of those ideas (potentially emanating from the academic and think-tank world) that actually gain political relevance. Therefore I track, wherever possible, based on citations whether the academics who inspired the iconoclasts under investigation relied meaningfully on 'foreign' sources.

context when they developed their respective policy proposals.[121] The episode of policymaking under examination ended almost 20 years ago, which means that subjects can be expected to be liberated from political and other constraints to speak freely, while on the other hand the researcher needs to be mindful of memory lapses and potential tendencies of subjects to overstate their cognitive autonomy as well as their interest in promoting a particular version of their legacy. To contextualize and verify the interview data, I draw on primary sources pertaining to the original publications of the policy innovations in question and embed this micro-level actor-centered perspective in a consideration of the macro-level socio-political environment.

Third, I track the genesis of 'Anglo-American pension funds in Germany.' As the epitome of a neoliberal social policy concept, pension funds can be considered a 'most likely case' for diffusion or translation in 'nonliberal' political economies. As such, pension funds should be the least likely case for my argument of non-substantive exogenous ideational impact, which makes it particularly promising (Eckstein 1975). I first trace whether 'Anglo-American pension funds' actually meant substantive exogenous impact in the sense that they reshaped the preferences of local actors and/or provided a novel policy template. Focusing on the local actor with the most immediate interest in such funds, investment companies, I combine interview data and documentary research on their preference formation since the early 1980s to substantiate that 'Anglo-American pension funds' did not have substantive exogenous impact in the mid-1990s. I then trace changes in terms of how and which agents used 'Anglo-American pension funds' or 'foreign pension funds' during the second half of the 1990s to show that these eventually became frames successfully employed by their antagonists.

The article makes two main contributions to the literature. First, based on identifying conceptual shortcomings in the existing literature, it specifies the functions of foreign ideas in local political processes into symbolic and substantive. The specification is not merely an exercise in semantics, as it makes a tremendous difference for our understanding of the origins of ideational change whether iconoclastic ideas were actually 'imported' and had a bearing on actors' sense making and preference formation or whether external reference points were largely used as framing devices. This analytical symbolic-substantive distinction adds definitional clarity to the difference between the concepts of bricolage and translation, and thus, potentially also bridges these research agendas. Second, the article draws attention

[121] This open-ended format in fact led to the research question addressed in this article. Surprised by the markedly domestic focus displayed by subjects during the first interviews, the author began to zero in on these issues in subsequent interviews and followed up with the experts he had already met.

to the complex role foreign ideas may play as framing devices. The argument advanced here raises the possibility that actors reinterpret foreign models to an extent that they become a tool for continuity rather than change. This application of foreign model-frames in fighting rearguard action and their permutable role in political conflict has been largely elided in the literature. Thinking of foreign ideas in substantive and symbolic terms may thus assist us in thinking through how ideas emerge and how they are used in political conflict.

The article is structured as follows. The second section situates the argument in the existing literature. The third section empirically corroborates the argument alongside the four steps developed above in a case study of German pension politics. The final section concludes by briefly summarizing the results and discussing avenues for further research.

Substantive vs. Symbolic Exogeneity: The Origins and Utilization of Ideas

The literature on the spreading of policies, practices, programs, norms or ideas can be characterized in four waves. Diffusion studies probe into "the process by which an innovation is communicated through certain channels over time among members of a social system" (Berry and Berry 1999, 171). Besides displaying a "fascination with the process and the conditions for transfer rather than the content of new policies" (Stone 2004, 547), diffusion scholarship is criticized for neglecting the contested, interest-driven nature of political importing and exporting. Taking issue with diffusion studies' "technocratic determinism" (Rose 1991, 9), proponents of lesson-drawing focus on the politics of indigenizing contents from elsewhere and problematize the malleability of 'imports' during adoption (e.g. Robertson 1991; Bennett 1991). Lesson-drawing in turn is also criticized for being rationalist and apolitical, especially by authors proposing the broader heuristic of policy transfer. "Policy transfer refers to the process by which actors borrow policies developed in one setting to develop programmes and policies within another" (Dolowitz and Marsh 1996, 357). Scholars still unsatisfied with the rationalist underpinnings and narrow range of actors considered in the policy transfer literature, advocate translation as a broader concept that allows more maneuvering room in recombining and assembling elements from various sources (e.g. Acharya 2004; Yanow, 2004; Lendvai and Stubbs 2007; Freeman 2009; Prince 2009).

While the emphasis and dominant terminology may differ, the boundaries between cross-border diffusion, borrowing, learning, lesson-drawing, transfer and translation are fluid. In the widest sense they are all "concerned with a similar process in which knowledge about policies, administrative arrangements, institutions and ideas in one political setting [...]

is used in the development of [the same] in another political setting" (Dolowitz and Marsh 2000, 5; for an overview of the differences between the sub-strands, see Stone 2012). Overall, the literature has moved toward messier, more political conceptions of change that emphasize agency in the contested process of political importing and exporting. One key aspect in this context is including a wider variety of actors to overcome the literature's "tendency towards 'methodological nationalism'" (Stone 2004, 546) in largely focusing on politicians and bureaucrats.

Despite this evolution from "rather narrow, state-centered roots to cover many more actors and venues" (Benson and Jordan 2011, 366), the literature predominantly takes a transnational governance perspective rooted in IR and IPE. It follows that the inclusion of a wider range of non-state actors largely pertains to transnational actors such as organizations, corporations and financial institutions (e.g. Stone 2004), while local interest groups tend to be neglected. Interest groups such as business associations can be expected to be important actors in the context of importing (neoliberal) policy ideas and instruments. The case of German pension funds suggests that local actors with the most immediate material interest in the import of such instruments—investment companies and banks—are likely to be their pioneering champions in the domestic context (Röper n.d.). It follows that appreciating the motivations and actions of local interest groups in the context of translating foreign policy models are particularly relevant when probing into the *origins* of ideational change.

The transfer literature and II at large continue to grapple with explaining the origins of ideational change. Usually concerned with defending the strand of literature he helped shape, Dolowitz (2009) criticizes the policy transfer literature for paying scant attention to the actual processes of learning among importing actors. To resolve this he suggests to incorporate Hall's (1993) policy paradigm framework to enable analyses of policy transfer to better capture what actors learned elsewhere and how they employed this (Dolowitz 2009, 317-318). While Hall's (1993) framework may be a useful heuristic to gauge the extent of change that political imports signify compared to the prevalent local arrangement. But it is doubtful whether it provides a felicitous starting point to examine actors' motivations when importing policy ideas and concepts.

In adopting Kuhn's (1970) incommensurability thesis, Hall considers paradigms as internally coherent and composed of logically connected elements that originate in fundamentally different accounts of how an economy works (Carstensen 2015a). Given the inability of actors to think of the world using ideas originating in different paradigms, the analytical upshot is that ideas only develop significantly through third order paradigmatic

shifts, which comes at the expense of capturing ideational change at the margin. If conceptually actors cannot borrow inter-paradigmatically, one almost by default recurs to exogenous ideational sources. Even those who take issue with the exogeneity axiom such as Oliver and Pemberton (2004), "continue to hold the view that policy ideas themselves are generated externally" (Wilder and Howlett 2014). This is reflective of the larger trend in much of the institutionalist and public policy literature that implicitly or explicitly tends to assume exogenous ideational origins. As Dobbin et al. (2007, 450) submit: "The power of global models is increasingly taken for granted even in studies focusing on domestic economic and political conditions."[122]

Efforts to enable the paradigm approach to capture gradual and endogenous change has brought about a rethinking of what incommensurability can mean in the context of policy paradigms. When loosening the concept, elements from one paradigm can be understood by people who subscribe to another and thus ideas may be simultaneously compatible with different paradigms (Daignault 2014). This in turn opens up the possibility that new ideational elements or policy instruments may be affixed to the existing paradigm or that certain existing ideational elements within the paradigm are given relatively more or less prominence in actual policymaking (Carstensen 2011; 2015b; Wilder and Howlett 2014; Carstensen and Matthijs 2018). These messier and more contingent conceptions of change aim to correct for some of the rigidities underlying Hall's (1993) "punctuated equilibrium model of change based on an assumption about the incommensurability of policy paradigms and the inability of actors to incorporate elements from other paradigms" (Carstensen 2015a, 305). These works crucially seek to "incorporate the complexities of institutional mediation, and the sedimented but ongoing influence of multiple [...] ideas from different paradigmatic homes" (Clift 2018, 29).

This recombining or 'assemblage' (Prince 2009) of new and prevalent elements is at the core of concepts like bricolage and translation. During translation "new ideas are combined with already existing institutional practices and, therefore, are *translated* into local practice in varying degrees and in ways that involve a process very similar to bricolage. The difference is that translation involves the combination of *new* externally given elements received through diffusion as well as old locally given ones inherited from the past" (Campbell 2004, 80; emphasis in original). From a bricolage perspective, actors are thus

[122] In light of the overall exogeneity bias in much ideational research, it may be surprising that transfer scholars have been careful to emphasize that "the first place for an organisation to look is to its own standard operating procedure" (Rose 1991, 13), as "[p]olicy makers are inheritors before they are choosers" (Rose 1993, 78). Dolowitz and Marsh (1996, 351) emphasize that "[w]hen policy makers begin searching for lessons, their own country's past is the logical place to begin." In this sense this literature is also attuned to historical institutionalist insights regarding inherited institutions constraining and enabling policy choices.

"limited by the existing repertoire and ha[ve] to use it for whatever the task at hand" (Carstensen 2015b, 48). The difference thus boils down to the question of whether new ideas and instruments, or rather those differing from the status quo, are exclusively of domestic or also of foreign origin. This is primarily an empirical question, but theorizing is crucial to guide such inquiries; especially in light of the tendency in the literature to gloss over the question of the actual origins of change and instead take labels as proof of foreignness. Not only "content varies enormously even when policies bear similar titles" (Robertson 1991, 63), but even when those titles point to foreignness—as in the case of 'Anglo-American pension funds in Germany'—this does not necessarily establish that the political ideas and preferences underlying these instruments were in fact substantively developed or shaped exogenously.

This is where the conceptual substantive-symbolic distinction advocated in this paper comes in. It starts from the question of whether ideas were crucially domestically or externally conceived. This distinction loosely corresponds to 'orders' of exogenous impact such as shallow, tactical and instrumental learning from abroad, which contrast with more substantive notions of social and policy learning (Stone 2004, 549).[123] If ideas were actually conceived domestically, bricolage seems more appropriate than translation or transfer. At the same time, actors might have conceived ideas domestically but employ foreign references when advocating these; foreign ideas are thus inconsequential in terms of local preferences and idea origination, but saliently evoked in political debate. Such cases appear in the blind spot between the bricolage and translation/transfer perspectives. This article proposes to make sense of such cases by zeroing in on the symbolic role of foreign ideas. If "symbolic bricolage" (Campbell 2004, 69; see also Carstensen 2011) requires framing, one important framing device may be foreign ideas.

Whereas the extent to which foreign ideas were novel and inspiring to importers is a rather static notion, the utilization of foreign concepts is more dynamic: "Utilization is more than awareness; it implies a mobilization of that knowledge to further some political aim"

[123] Rose (1991, 8) demarcates lessons from abroad from merely recurring to foreign symbols: "A lesson is not a symbol, exploiting the name of a country to convey the success or failure of a programme in effect elsewhere. In the rhetoric of politics, symbols can be used to place an idea on the political agenda. [...] Whereas symbols are vague motives to action, lessons are full of the details of programmes." Such symbols unsurprisingly fall into this paper's category of symbolic rather than substantive exogenous impact. Rose (1991, 22) also differentiates lesson-drawing and 'inspiration:' "Viewing a familiar problem in an unfamiliar setting expands ideas of what is possible, and can inspire fresh thinking about what to do at home. But it does not demonstrate how any particular programme actually works. [...] But a fresh breath of air is also insubstantial, in the sense that the experience of other countries cannot be used to evaluate it. Inspiration is thus not a form of lesson-drawing but a form of speculation." This is where Rose's almost Habermasian concept of policy learning becomes apparent. What he refers to as mere inspiration qualifies as substantive exogenous impact in this paper, as the foreign experience provided a template.

(Bennet 1991, 33). Bennett (1991, 33) cites five basic motives for actors to recur to policy concepts from abroad: put an issue on the agenda, mitigate political pressure, emulate actions of a paragon, find the best policy solution and "legitimate conclusions already reached." 'Legitimating conclusions' speaks directly to the substantive-symbolic distinction. Bennett (1991, 38) hypothesizes that such ex post facto justifying is most likely when

> claims are based on anecdote rather than evidence, and when they disregard differences in the particular problems and resources that each nation may bring to bear, it is a sign that legitimation, rather than learning, may be the motivating force (Henig et al. 1988, 459). Evidence is used in the policy process in highly selective ways to reinforce positions and to legitimate decisions already taken. Thus, information about the effects of a program elsewhere enters debate in an incomplete and anecdotal way to justify prior positions: 'The Americans/Japanese/Germans/Swedes etc. have shown that this program works (or not).' The sources cited will be chosen selectively, with little attempt to garner evidence from a variety of nations. Evidence from selective sources will be used selectively.

This very much corresponds to the analysis of the initial utilization of 'Anglo-American pension funds' by German banks and investment companies presented in the analysis below.

Beyond the initial import—be it substantive or symbolical—foreign references continue to play a role during the ensuing domestic political struggles, as antagonists also engage with the foreign idea. Robertson (1991, 57-58) writes:

> Lessons become effective weapons in political conflict because they simplify the premises of complex policy decisions and in so doing they bias the outcome of the policymaking process. [...] [B]oth proponents and opponents of change have a powerful political incentive to oversimplify reality. Like the character of a witness in a criminal trial, the image of polities often becomes a battleground between those who seek to draw a positive lesson and those who seek to draw a negative lesson.

Robertson crucially draws attention to foreign policy lessons as 'political weapons.' The concept of ideas as weapons that "allow agents to challenge existing institutional arrangements and the patterns of distribution that they enshrine" (Blyth 2001, 4) is widely accepted in II (see also Béland 2009). Yet the role that foreign models as framing devices may play in the weaponization of discursive "strategies to overcome the skepticism of others and persuade them" (Cox 2001, 475) has drawn limited attention. Whereas the literature on discursive institutionalism is vibrantly growing and increasingly engaging with the power-political implications of discursive strategies (e.g. Carstensen and Schmidt 2016), it has yet to meaningfully engage with foreign ideas as frames.

The theoretical symbolic-substantive distinction speaks to various vibrant lines of research in CPE. With regards to the translation and bricolage literatures, it draws attention to the differences between core and peripheral countries. Drawing on the German case that is extreme in terms of its longstanding ideational (pension) tradition, it seems reasonable to

assume that ideas are more likely to be translated as mostly symbolic material in non-peripheral contexts, while ideas travel heavily in their substantive form and thus have a stronger impact in peripheral contexts. It follows that bricolage in turn may largely be the prerogative of core states. The symbolic-substantive dichotomy may also prove useful in the context of studying local political conflicts over financialization, for such "research suffers from the notion that financialization is a decidedly Anglo-American phenomenon, which operates as an exogenous shock to other political economies" (van der Zwan 2014, 120). In addition, the analysis of political discursive strategies in the battle over pension funds contributes to recent work specifying the strategies employed by organized business (e.g. Hacker and Pierson 2002; Paster 2018; Röper n.d.).

Taken together, this paper proposes integrating insights from recent marginalist II and transfer/translation literatures by redirecting these toward the question of origins of ideas and the politics of utilizing them. It is argued here that appreciating more comprehensively the role foreign ideas play in learning and preference formation among local importers and the way they are utilized by both importers and antagonists in political conflicts, will enhance our understanding of change dynamics. The conceptual substantive-symbolic distinction shall encourage scholars to probe deeper into the motivations of importers to pick up foreign ideas and trace how they are used in domestic political struggles.

Ideas from within: German Pension Politics

The Path Not Taken: (Ordo)Liberal Pension Ideas in Postwar Germany

In the comparative capitalism literature, postwar Germany is widely considered the archetype of a 'coordinated', 'embedded', 'organized' or 'nonliberal' market economy. Initially, however, ordoliberalism emerged as the guiding principle of German postwar (economic) policies.[124] Skeptical of concentrated economic power and collectivism, disciples of the Freiburg School advocated a blend of a strong regulatory state with maximum individual freedom that "was born as an explicit anti-welfare doctrine during the 1920s and 1930s" (Hien 2013, 350).[125] This economic canon turned politics under the slogan of the 'social market economy' in 1948 when ordoliberal Ludwig Erhard orchestrated the

[124] This was in part due to Allied influence: "After the war, many ordoliberals acquired important leadership positions in Germany, initially because the market-oriented thrust of their ideas was attractive to occupation leaders, especially in the U.S." (Gerber 1997, 47).
[125] For an overview of the origins of ordoliberalism and its career in postwar Germany, see Ptak (2004).

first major currency and tax reform with the Western Allies (Giersch et al. 1992, 36-44).[126] The immediate success of these reconstruction measures surpassed all expectations and Erhard was widely celebrated as the architect of the 'economic miracle.' Ordoliberalism reigned supreme and Erhard was well on the way to enshrine his doctrine.

Up until the mid 1950s, it appeared as if *Ordnungspolitik* could make interventionist social policy and Bismarckian self-administrating public bodies obsolete (Ptak 2009, 103). At that point, however, it became increasingly clear that market allocation mechanisms struggled to provide the desired social outcomes. The misery of many pensioners and widespread fear of old age poverty among the working population made public pensions "the Achilles heel of the social market economy" (Abelshauser 1996, 386). The blueprint for reform came from political economist Wilfrid Schreiber, who proposed 'dynamized' pensions and PAYG financing (Schreiber 1955). Dynamized essentially means that annual increases in benefits correspond to the development of gross wages. Chancellor Adenauer deemed the 'Schreiber-Plan' electorally auspicious (Hinrichs 2004, 272) and it also garnered support from the labor wing of the CDU, the umbrella organization of German trade unions (DGB) and the SPD (Abelshauser 1996, 386-388; Hegelich 2006, 103ff.). Henceforth this coalition would push for PAYG funding, dynamization and status maintenance through public pensions, which constitute the building blocks of what became the German one-pillar pension paradigm (Nullmeier and Rüb 1993, 93-115).[127]

The ensuing struggles with liberal political forces were fierce. When first presented, the Schreiber-Plan was perceived as so far outside of familiar patterns of thought that the liberal coalition partner FDP did not even consider it a "serious basis for discussion" (Hockerts 1977, 365). Economics minister Erhard and other conservative ordoliberals opposed the reform to an extent that caused the media at the time to refer to a "pension war" within the CDU (Bundestag 2017).[128] Erhard saw the plan as a violation of the principle of subsidiarity, which is at the core of both ordoliberalism and catholic social teaching (Erhard 1956) and lamented the "poison of dynamization" (Hentschel 1983, 165). The entire camp of organized business opposed the dynamized PAYG approach, citing inflationary effects, danger for capital markets and empowerment of organized labor (Hockerts 1980, 377-394). In particular financial sector actors mobilized against the Schreiber-Plan, as they feared a

[126] Erhard served as economics minister between 1949 and 1963 and chancellor thereafter until 1966.
[127] Note that Schreiber himself did not envisage status maintenance in old age through public pensions alone and emphasized that a pure PAYG system only works under ideal demographic conditions (Schreiber 1955, 34).
[128] Ordoliberal academics similarly criticized the 1957 reform (e.g. Röpke 1958).

generous public pension pillar would dampen the individual propensity to save (Hockerts 1977, 368).[129]

The parliamentary debate about the fundamental arguments regarding PAYG versus prefunded alternatives revolved around the Mackenroth theorem, which states that social expenditure ought to be serviced with current national income (Mackenroth 1952). Support for a PAYG system was under the impression of the perceived failure of prefunded alternatives throughout recent history of wars and inflation, as exemplified in this statement by MP Ruf (CDU): "we don't want to accumulate more capital than is absolutely necessary [...] [so that] public pension insurance institutions don't become capital depositories in which too much capital and thus power may be concentrated" (Bundestag, 154th session, 27.06.1956, 8364). As Kohli (1987, 135) writes: "The German experience of financial instability and even collapse through the rapid succession of wars, depressions and inflations was a powerful motive for [...] [the] clear break with the principles of accumulation of capital".[130] Economically liberal MPs such as Margot Kalinke questioned the fundamental economic sensibility of Mackenroth's theory by pointing to the compound interest that capital in a prefunded public pension pillar may generate, which potentially translates into lower contribution rates in the future (Bundestag, 186th session, 18.01.1957, 10423). These political fault lines were remarkably similar to those between pension privatization advocates and antagonists during the 1990s, with many of the exchanges about the pros and cons of prefunded versus PAYG pensions seemingly interchangeable (e.g. Krupp 1997; Carstensen and Röper forthcoming). This debate has in fact been well-rehearsed in different permutations since the first comprehensive German social policy reforms in the late 19th century (Manow 1998).

The appreciable political power and sophisticated policy ideas of the liberal camp notwithstanding, the 1957 reform established a pension system that was fundamentally at odds with the ordoliberal framework (Abelshauser 1996, 388). The reform instigated the 'golden age' of the German welfare state, during which the institutionalization of the new pension paradigm was crucially facilitated by the continuing 'economic miracle' (Hegelich

[129] Also, insurers and banks had managed large parts of the public pension's capital und could thus expect to lose public pension insurance institutions as major investors (Hockerts 1977, 367). Private financial actors even founded the Association for the Protection of German Savers (*Gemeinschaft zum Schutz der deutschen Sparer*) in opposition to the 1957 reform (Hockerts 1980, 378).

[130] Under the impression of the great inflation of 1922 and 1923, the 1927 pension reform implemented more stringent regulations regarding investment (e.g. discouraging stocks) and lending activities for the funded German public pension pillar (Manow 2001, 7). During the Great Depression, prefunded public pensions got caught in the double bind of more people in need and ever-scarcer resources to an extent that some argue "the end of the Weimar Republic was triggered by a conflict over the financing of mass unemployment and the level of insurance benefits" (Mau 2003, 73-74). The Nazi regime used capital accumulated in the public pension insurance institutions to fund its war machine (Abelshauser 1996, 377).

2006, 67). Up until the mid-1970s, due to burgeoning economic growth and full employment more generous benefits "seemed to be financeable without having to disadvantage other social groups" (Nullmeier and Rüb 1993, 116) and the Mackenroth theorem became "an unquestionable credo" (Nullmeier and Rüb 1993, 107). As during the German Empire, liberal ideas suffered defeat again (Abelshauser 1996, 392). Voices fundamentally questioning the pension configuration were increasingly marginalized in what Babel (2001, 51) refers to as a "silent revolution."

From a bricolage perspective, in the late 1950s ordoliberal pension proposals constitute a 'path not taken' (Schneiberg 2007). Although ordoliberalism's triumphant procession soon ebbed away, its ideas have a lasting legacy (e.g. Blyth 2013; Hien 2013), including in German pension politics. Albeit as minority discourses, liberal policy ideas continued to be advocated and developed during the postwar decades. While employers' genuine preferences might over time have actually become somewhat more favorable toward the one-pillar paradigm, due to absorptive corporatist forces (Nullmeier and Rüb 1993, 324-335; Hegelich 2006, 116-126),[131] most liberal actors, including from the financial sector and many economists continued to display pre-1957 preferences. As the main political force behind a funded public pension pillar and multi-pillarization, the FDP is a case in point. The party's 1952 platform set forth the goal of gradually reintroducing a relatively small-scale, funded first pillar in the name of individual responsibility. They maintained this position during the 1957 debate and reinforced it in 1963 with a proposal for a tax-funded base pension. Thereafter the FDP successively restricted itself to demands of fostering supplementary private savings for old age whilst continuing to favor more radical neoliberal pension ideas (Nullmeier and Rüb 1993, 116; Babel 2001, 57-62). Whereas liberal actors moderated the framing of their positions in light of the dominant pension discourse, one must not mistake altered strategic preferences for changed genuine preferences.

Taken together, this cursory view sheds conceivable doubt on the novelty character of pension multi-pillarization policy ideas during the 1980s and 1990s. Prominent local actors had already conceived much of the ideational "substantive raw material" (Lieberman 2002, 697) underlying pension privatization arguments in the 1950s. As these actors did not fundamentally change their preferences throughout the 1960s and 1970s, one would be hard-pressed to make the case for a substantive impact by exogenous pension ideas for that period.

[131] Recent business power literature, however, suggests that employers' expressed preferences ought to be considered as strategic adjustments to the political opportunity structure rather than first order preferences (Paster 2018; Röper n.d.).

German Pension Policy Iconoclasts during the 1980s and 1990s

As for most industrialized countries, the 'oil shock' of 1973 marked a watershed for the German political economy, putting an abrupt end to full employment and yearly growth rates of around five percent. The postwar economic success story suddenly seemed like a *Short Dream of Perpetual Prosperity* (Lutz 1984). As the aftereffects of the economic downturn on employment and larger societal changes intertwined in putting pressure on the German pension system, a debate about the long-term 'demographic problem' of public pensions emerged (Nullmeier and Rüb 1993, 115, 364ff.). The increasingly shared diagnosis of demography-related funding problems gave way to a variety of systemic pension reform initiatives during the 1980s (Buttler and Jäger 1988, 386; Nullmeier and Rüb 1993, 168ff.).

Kurt Biedenkopf: Ordoliberal Insurrectionary

The first and widely considered to be the most important among these iconoclasts was prominent CDU politician Kurt Biedenkopf. Biedenkopf and his partner Meinhard Miegel proposed a basic, tax-funded universal state pension combined with private capital formation and individual prefunded state pensions reflective of individual contributions (Miegel 1981; Biedenkopf 1985; Miegel and Wahl 1985). Biedenkopf is widely credited as the key policy entrepreneur to have paved the way for three-pillar pension ideas in Germany (Bönker 2005, 356); not just by academics, as his longtime rival, former SPD social policy spokesman and key agent of continuity Rudolf Dreßler recalls: "The Biedenkopfesque philosophy made waves. [...] That was the beginning of the debate. [...] Biedenkopf's proposal forced us to engage with that, because he had many supporters within the CDU. In the end he didn't succeed with his model within the CDU, but he was the appetizer, if you will, for this three pillar debate" (interview Dreßler). Even though his ideas were eventually rejected as too radical, Biedenkopf's prominent position within the CDU meant that his proposals had to be regularly discussed, for example at party conventions but also in public discourse more generally.[132] Based on the conviction that private households would already save a lot anyway and could be entrusted to take on more individualized responsibility (Miegel 1985), Biedenkopf saw the opportunity to create a pension system that put an end to self-administrating bodies with detrimental organizational self-interests (Biedenkopf 1985; Miegel and Wahl 1985).

[132] Take, for example, the 1985 *Der Spiegel* "Pensions in Danger" title story. Picturing Saint Christopher on the verge of drowning due to a bunch of seniors on his shoulders on the cover, the article discusses at length a wide range of reform options. Only in the context of Biedenkopf's proposal find private savings and occupational pensions a mention.

When asked whether foreign ideas played a role during the conception of their pension model, Biedenkopf recalls: "No. We were interested in that. But, for example, Scandinavian countries differ from Germany in terms of their size. [...] We looked at that, obviously anything that was available, not just in Europe, but in the end we came to an independent conception" (interview Biedenkopf). Miegel's research assistant and coauthor Stefanie Wahl recollects: "Basic pensions in the UK and the Swiss model served as suggestions. Crucial, however, was the development of long-term demographic, economic and societal trends as well as domestic ordo, economic, financial and social political problems of the prevalent system. [...] In my view foreign models didn't play a prominent role in the pension reform debates of the 1980s and 1990s. They were rather points of references to justify one's reflections" (interview Wahl). Even though the first publication developing Biedenkopf's pension plan surveys other countries' experiences at some length (Miegel 1981, 48ff; 72ff; 76ff), the plan itself does not substantively draw on these. In fact, the most similar template the book cites is a reform proposal by German insurance economists from 1956 (Bauer et al. 1956; Miegel 1981, 58) and the political role model is clearly Ludwig Erhard (Miegel 1981, 59; 129; 131; 177).

Instead of, for example, the seminal 1981 reform in Chile, it was the 1955 *Rothenfelser Denkschrift* that inspired Biedenkopf (interview Biedenkopf). This report was commissioned by chancellor Adenauer and contained policy suggestions that emphasized individual responsibility (Hockerts 1980, 279-299).[133] Biedenkopf recalls: "This alternative proposal built on the principle of subsidiarity. That means the idea was that old age security ought to be built from the bottom up, not by the state. [...] That report already pointed out that one needs to follow this path instead of beginning with the organization. Because if the organization is the starting point, the organization becomes independent and has no interest in subsidiarity anymore [...] and becomes an end in itself" (interview Biedenkopf). This "ordoliberal principle of subsidiarity" (Miegel and Wahl 1985, 58) that Erhard unsuccessfully sought to defend in 1956/1957 was at the core of Biedenkopf's idea formation. His "strictly ordo-political market-radical" (Nullmeier and Rüb 1993, 394) policy ideas were substantively conceived from within and revived longstanding ordoliberal concerns vis-à-vis the German pension system rather than taking substantive cues from foreign models or global policy ideas.

[133] The report eventually fell by the wayside due to protests by social policymakers and Adenauer's discovery of the Schreiber-Plan (Hockerts 1980, 300-319).

Invigorated by the 'demography debate,' the academic discussion on prefunded old age provision became more vibrant. As early as 1979, the German Social Advisory Council (*Sozialbeirat*) discussed the merits of prefunded public pensions in the context of alleviating demographic pressure and boosting capital formation. During the mid-1980s a flurry of academic publications rooted in ordoliberal thought criticized PAYG pensions (for an overview, see Wiesner 1988, 256ff.), which was increasingly echoed by the Bundesbank and various governmental economic advisory bodies (for an overview, see Schwebler 1989, 663ff.). These voices praising prefunded pensions meant a revival of "long familiar economically liberal thinking" (Nullmeier and Rüb 1993, 370), which occurred largely decoupled from academic debates abroad.[134] However vivid, this discussion was confined to academic circles (Wiesner 1988, 255; Buttler and Jäger 1988, 386) up until 1987, when Telecommunications Minister Christian Schwarz-Schilling transferred it to the political discourse. His proposal envisaged the introduction of a capital stock in the public pension pillar and an adjustment of contribution rates so that child rearing would reduce one's pension burden.[135] He first published his ideas in a booklet (Schwarz-Schilling 1987), which were then further developed by a commission under his chairmanship. The commission was backed by the CDU and CSU's powerful *Mittelstandsvereinigung*, whose deputy chairman Schwarz-Schilling was at the time (Schwarz-Schilling 1988).

Though intellectually persuaded by Biedenkopf's ideas, Schwarz-Schilling deemed them political non-starters (interview Schwarz-Schilling; Schwarz-Schilling 1987, i;). "There will be no new pension system on a green field and it will not command majority backing. The pension revolution [...] won't happen" (Schwarz-Schilling 1987, 10). Instead, Schwarz-Schilling explicitly framed his proposal as close as possible to the goals of the 1957 reform, which involved at least paying lip service to *Lebensstandardsicherung* through the first pillar (Schwarz-Schilling 1987, 5; Schwarz-Schilling 1988, 17; see also Körber 1988, 272) and emphasizing that Germany has always had a three pillar system (Schwarz-Schilling 1988, 25). In this sense, whereas Biedenkopf was an 'insurrectionary' innovator—in Mahoney and Thelen's (2010) terms—Schwarz-Schilling was more of a 'subversive.' At the same time,

[134] In fact, even key proponents of more prefunded pensions were skeptical of Feldstein's (1974) famous theses about their effect on savings behavior and economic growth (Buttler and Jäger 1988, 390; see also Berthold and Külp 1987, 103ff.; Ribhegge 1990, 367ff.). And those in agreement with Feldstein, for example (life)insurers, had advanced such arguments already prior to 1974. This is not to claim that German pension economists were sealed off from international academic debates, as, for example, methodological advancements such as cohort-specific accounting were clearly 'imported' from the US (Dinkel 1985, 362).

[135] Initially contribution rates ought to increase in order to accumulate capital within the government pension pillar to compensate for changes in the dependency ratio after 2015.

Schwarz-Schilling took aim at the "foolish dogma by Mackenroth" (Schwarz-Schilling 1987, 33), demanded a "redefinition" of the relative weight of the three pension pillars (Schwarz-Schilling 1988, 5; also Schwarz-Schilling 1987, 13-16) and displayed a steadfast belief in capital markets (Schwarz-Schilling 1987, 34). In recombining ideas of capital formation and family policies, Schwarz-Schilling was the first to bundle up longstanding economic-liberal and conservative-catholic lines of critique vis-à-vis the prevailing pension system (Nullmeier and Rüb 1993, 362-389). As a 'bricoleur' (Carstensen 2011), Schwarz-Schilling provided "the sluice [...] through which these [liberal] arguments [about prefunded pensions] found their way into political decision making processes (diffusion)" (Nullmeier and Rüb 1993, 374).

As Telecommunications Minister, Schwarz-Schilling had previously not dealt with the issue of old age provision. His impetus to engage with pension politics only came about in the mid-1980s when his daughters asked him about the 'pension crisis' at the kitchen table. He recalls: "When I realized what kind of a mine that was, what powder keg in social political and economic terms, I buckled down" (interview Schwarz-Schilling). He immersed himself in the literature and found works by the German financial economist Reiner Dinkel (1981; 1984) to be "particularly insightful" (Schwarz-Schilling 1987, 46) in terms of their family-political perspective, as well as Schreiber (1955) and Nell-Breuning's critique of a purely PAYG system in terms of generational equity (Schwarz-Schilling 1988, 51-52; Nullmeier Rüb 1993, 384; interview Schwarz-Schilling). Schwarz-Schilling recalls: "I can't say that any foreign model pointed the way for me" (interview Schwarz-Schilling). Based on his political day-to-day experience foreign models were more likely to be used as justifications rather than idea generators anyway (interview Schwarz-Schilling).

Just like Biedenkopf, Schwarz-Schilling's proposal had no immediate legislative impact. In fact, one may argue that his internal liberal pension competition with Biedenkopf hindered the progress of multi-pillarization ideas (Carstensen and Röper forthcoming). The idea of a capital stock in the public pension pillar, however, was picked up by several CDU politicians in the mid-1990s and later even by a past antagonist, Rudolf Dreßler, in an effort to ward off more radical neoliberal varieties of multi-pillarization (Hegelich 2006, 241). Nullmeier and Rüb (1993, 383) even go as far as submitting that it was only Schwarz-Schilling's initiative that caused for the first "sustained shock of the pension consensus." He is a prime example of a subversive bricoleur whose policy innovation draws on domestic academic and political debates, whilst not displaying a discernible trace of substantive exogenous ideational influence.

Andreas Storm: Modeling Instead of Imitating Models

It must be considered an irony of history that the Bundestag passed the 1989 Pension Reform Act about an hour before news of the fall of the 'iron curtain' began to make the rounds. The brief reunification boom was followed by a decline in economic growth and employment. Just when policymakers thought to have had sustainably repaired the pension system, the integration of 16 million GDR citizens turned out to be a tremendous blow adding to the long-term pressures the system had been facing (Nullmeier and Rüb 1993, 224ff.). In the context of this 'pension crisis' one of the CDU policymakers to revive the idea of a capital stock in the first pension pillar was Andreas Storm. Presented at the 1996 CDU party convention, the so-called 'Storm-Plan' became the blueprint for the government's reform efforts.

Besides a capital stock, the plan proposed higher tax funding of public pensions and, most importantly, the so-called 'demographic component.' The component basically meant that the pension formula was adjusted in a way that accounts for increasing life expectancy, gradually decreasing the net standard pension level. It constituted "the core piece" of the 1997 Pension Reform Act, which was the first major pension reform that was not passed in cross-party consensus (Hinrichs 2005, 56). The SPD vowed to reverse the demographic component when in government (Bundestag Plenarprotokoll 13/198, 10.10.1997, 17866), which would become one of their central promises during the 'pension campaign' that dominated the 1998 federal election (Hegelich 2006, 259). The SPD/Greens governing coalition introduced a 'sustainability factor' in 2004 that was remarkably similar to the demographic component it had annulled in 1998 (Hegelich 2006, 87). This rather technical policy concept can therefore be considered one of the key tools of German efforts to accommodate population ageing. Andreas Storm developed the idea and originated the label 'demographic component,' for which he got the Federation of German Pension Insurance Institutes (VDR) to do the calculations (interview Storm b). Labor-minister Norbert Blüm later commissioned the prominent economist and government consultant Bert Rürup to work out the formula's technical details.[136]

Storm's conception of the demographic component came about most endogenously. When he realized that contribution rates were going to increase tremendously despite the 1989 reform, he started doing the math: "It was very autodidactic. I'm an econometrician and used to thinking in terms of models" (interview Storm b). One may still be led to consider

[136] These details pertained to, for example, the proxy for demographic ageing in the formula. While Storm had used average age in his proposal, Rürup opted for life expectancy (interview Storm a).

the idea for the demographic component to have originated in Sweden, for a similar approach had begun to be discussed there (Palmer 2002). And Storm indeed borrowed the term 'demographic component' from the Swedish reform proposals under discussion at the time (interview Storm a). We appear to observe substantive exogenous ideational impact. However, if we probe a little more deeply we find that this borrowing of a label had little to do with substantive ideational inspiration, for Storm recalls reading an article in the local newspaper *Darmstädter Echo* mentioning the label shortly prior to publishing his plan and only then including it (interview Storm a). 'Demographic component' thus became the label and Sweden a point of reference *after* the substantive policy idea had been conceived: "I only read about it when I had already developed my model. Also, what was implemented in Sweden differs considerably from my model. For example, there it only pertained to new pensioners, whereas mine affected existing pensioners as well. But I liked the term" (interview Storm b). Given the temporal parallelism and even a direct link between the policy debates in Sweden and Germany, one may be easily misled to interpret this as substantive exogenous ideational impact, while the only feature that actually traveled was a label through a local newspaper.

Besides the demographic component, the capital stock in public pensions was a core element of the 'Storm-Plan.' Rather than Schwarz-Schilling, Storm was crucially influenced by the writings of Winfried Schmähl, the longtime chairman of the German Social Advisory Council and widely considered to be the key academic defender of the one-pillar paradigm. Majoring in *Sozialpolitik* between 1983 and 1988, Storm read essays by Schmähl on prefunding in the first pension pillar and wrote a term paper on the subject (interview Storm b). In addition to these substantive ideational influences from within, both himself in terms of modeling formulas and domestic academia, Storm raises a strategic consideration that is in line with Clift's (2018) concept of 'reconciliation' as to why pension innovators almost had to rely on homegrown ideas: "I've always pursued an evolutionary approach, that is from within the system and derived historically. That was the only way to start a conversation with social politicians in the first place. That is, based on the premise: how can one strengthen the system from within instead of breaking with the system" (interview Storm b).

Walter Riester: Bridge-Building Maverick

The PRA2001 marked the legislative shift toward a multi-pillar pension system. The reform introduced tax-subsidized schemes for occupational and private pensions in what most observers agree to signify a paradigm shift (e.g. Lamping and Rüb 2004; Hinrichs 2005;

Bönker 2005). Breaking with the traditional one-pillar social insurance paradigm, the state was no longer the sole guarantor of the achieved living standard in old age, with private capital markets filling the void. As the reform meant "to all extents and purposes pension privatization" (Orenstein 2013, 277) and legalized pension funds for the first time, it must not surprise that many have taken this reform as testimony to the power of global policy ideas and finance capitalism. However, the idea formation process of the "Riester-reform's" originator, Walter Riester, had little to do with foreign models or goals of fostering capital markets.

A long-time union leader, Walter Riester developed his policy proposal of *Tariffonds* (collectivized deferred compensation) based on the longstanding debate about employee participation in productive capital in the policy field of *Vermögenspolitik* (Riester 2004, 21; interview Riester). Whereas parts of organized labor and the SPD had been advocating collective stock sharing in the form of Tariffonds since the 1960s, the powerful IG Metall had been an adamant opponent of such ideas (Dietrich 2006). As its deputy leader, Riester was the first prominent voice within the IG Metall to demand *Tariffonds*, stirring up internal controversy (Trampusch 2006, 67). Truly iconoclastic, however, was that in the mid-1990s Riester began to link ideas of employee capital participation to the old age context and requisite cuts to public pensions; two issue spheres that had long been remarkably separate (Dietrich 1996, 222-228; Berner 2009; Carstensen and Röper forthcoming). It was due to these progressive pension policy ideas that Gerhard Schröder asked Riester to be his shadow labor minister, to which Riester agreed under the condition that he would be allowed to implement his pension policies (Riester 2004, 67ff.; interview Riester).

This genesis of Riester's personal idea formation from within the policy field of Vermögenspolitik already casts doubts on substantive exogenous ideational impact. When asked about the importance of foreign models, Riester recalls an autodidactic approach: "I came up with it myself. One needs to grasp and rethink systems and their effects; only then you can come up with that. [...] When I look at those [prefunded] systems, I need to consider them and their effects holistically. I've always considered comparisons to other countries as too simplistic" (interview Riester). Further substantiating this, Lamping Rüb (2006, 463) write: "Riester in his autobiography recounts an anecdote about his stay in the USA. Invited by the I[M]F and the World Bank, he proudly reported about the reforms of the new government, including the pension reform, without making any reference to the ideas of the World Bank" (see Riester 2004, 100-102). Beyond not importing ideas, Riester generally considered foreign examples of prefunded pensions as flawed, given their taxation structure, which is why they "never were templates for me" (interview Riester). An autodidactic

maverick among unionists, Riester was a bricoleur who transferred ideas and concepts from one policy field to another. Taken together, this survey of key pension policy innovations' geneses has not uncovered any evidence of substantive exogenous ideational impact and instead shown that iconoclasts largely developed their ideas based on local schools of thought as well as academic and political debates.

The Contested Framing of 'Anglo-American Pension Funds in Germany'

Anglo-American pension funds are the epitome of a neoliberal social policy concept spreading around the world. Predominantly investing in equities, these vehicles have come to be considered catalysts of financialization. Pension funds were only legalized in Germany as part of the PRA2001. Even though the foreignness of 'Anglo-American pension funds' is seemingly evident from the name, it is worth exploring whether the impact of said foreign models on German political actors was in fact substantive.

Investment companies were the German actor with the most unequivocal preference for pension funds and a key political force in terms of developing and pushing for such concepts throughout the 1990s (Röper n.d.). The German investment company association BVI crafted the first policy concept for an equity fund geared toward old age saving in 1995 (Laux 1995). Three years later, these AS-funds (Altersvorsoge Sondervermögen Fonds) were passed as pension fund-type products for the third pension pillar as part of the Third Financial Market Promotion Act. When asked about the translation of Anglo-American pension funds into AS-funds, then BVI CEO Manfred Laux indubitably denies this notion. Instead he emphasizes that the proposal was first and foremost conceived as a derivative of German law and ordoliberal principles: "No, not at all. I wasn't even too knowledgeable about them [Anglo-American pension funds]. AS-funds were a purely theoretical construct [from within the German system]. Efficiency criterion, security criterion, [and the question of] what may be possible within our legal framework" (interview Laux).[137] Investment companies indeed advocated AS-funds as the long overdue German version of Anglo-American pension funds with analogous investment ceilings of at least 70 percent invested in equities (Laux 1995). These external reference points, however, according to Laux, only became part of his rhetoric as expedient add-ons *after* AS-funds had already been conceived: "That was of central importance because it enabled me to say in public discussions that we

[137] One may reasonably lament that an interviewee could overstate his autodidactic accomplishments. However, in the case of Laux, a lawyer and economist by training, such concerns are mitigated by the fact that his thinking across political issues tends to take the form of derivatives of the law, as became clear throughout the interview with the author.

transport the efficiency of the American pension fund system into the German legal system" (interview Laux).

'Anglo-American pension funds,' of course, had been on the international political agenda for some time. In 1990 the EU Commission put forth a Pension Fund Directive, which it shelved four years later not least due to German opposition (Rupprecht 1996; Gerke 1998, 5). That 'Anglo-American pension funds' featured in European policy debates since the late 1980s, might have helped create an overall more favorable political environment for 'financialized' old age financial products. These international debates, however, did not necessarily have a substantive impact on local actors such as investment companies. Not only is investment companies' genuine preference for such instruments almost inherent in their business model (Röper n.d.). But when investment companies discussed Anglo-American pension funds prior to them becoming politically en vogue in continental Europe, they did not celebrate them as policy innovations but rather considered them as something they had long been desiring anyway (e.g. BVI 1984, 49ff.). While the move to propose AS-funds in 1995 was a remarkable challenge of insurers, it was also just another step in line with the BVI's long-term agenda of incrementally pushing for the liberalization of investment products since the late 1970s (Röper n.d.). Rather than a translation of Anglo-American pension funds into the German context, AS-funds were an expression of *bricolage*. The BVI reformulated private capital formation policies and occupational pensions as solutions to the problems facing the pension system within the context of the wider finance capitalism program. This recombination did not generate entirely new ideas, but rearranged longstanding policy goals of fostering 'equity culture' and private capital formation, boosting capital markets and privatizing parts of the pension system in novel ways (Carstensen and Röper forthcoming).[138]

After investment companies and later banks had begun proposing policy concepts as 'Anglo-American pension funds in Germany,' an interpretative battle between them and especially insurers over what actually constituted pension funds ensued. Initially insurers and other incumbents pursued a strategy of confrontation in seeking to prevent pension funds as an additional type of occupational pension scheme altogether. Once insurers and other opponents of pension funds realized that the political momentum in favor of such policy ideas was overwhelming, they focused their efforts on promoting a brand of pension funds that corresponded to their business model of guarantees and insurance elements ('insurance-

[138] This was similar to Walter Riester's Tariffonds poposal to the extent that ideas from the policy fields of Vermögenspolitik and pension politics were recombined, but investment companies vehemently opposed the collectivist underpinnings of Tariffonds.

fied pension funds') over maximized yields and capital formation ('financialized pension funds') (Röper n.d.). The ways in which 'Anglo-American pension funds in Germany' were employed by challengers and incumbents throughout this strategic shift from 'confrontation' to 'adaptation' (Paster 2018) is instructive apropos of their versatile role as framing devices.

Whereas during confrontation, incumbents categorically rejected any reform ideas reminiscent of Anglo-American elements (e.g. aba 1996, 330), a much more nuanced engagement followed during adaptation. Incumbents began to point out that Anglo-American pension funds actually contained safety buffers, offer life annuity and thus were much more complex and insurance-fied than banks and investment companies liked to admit (Rupprecht 1996; GDV 1997, 5; Knauth 1998, 124; Heubeck 1998). Antagonists of financialized pension funds began to demand 'Anglo-American pension funds' themselves, but reinterpreted them along the lines of their longstanding policy preferences that favored merely marginally modernizing the prevalent institutional framework. Insurers, for example, began to advocate 'Euro-Pensionskassen' as a "German pension fund model" (Rupprecht 1997, 14) in what basically constitutes a slightly liberalized version of existing Pensionskassen in terms of investment ceilings that "in large parts corresponds to Anglo-Saxon pension funds" but also provides benefit-reliability for employees (GDV 1997, 20; see also Knauth 1998, 129-130). Even though it seemed as if previous opponents were now jumping the bandwagon in advocating 'Anglo-American pension funds,' they in fact used these foreign models as framing devices to make their virtually unchanged stance seem more financially progressive and thus attuned to the shifting political winds (Röper n.d.). This is in line with a broader bricolage perspective where "actors oftentimes practise inter-paradigm borrowing by using elements from the ideas of their political adversaries" (Carstensen 2011, 157).

In response to this strategic shift by insurers, investment companies' use of foreign models similarly became more differentiated. Whereas the BVI initially presented Anglo-American pension funds as vehicles to import the efficiency of equity-oriented old age provision, they soon employed the same reference point to make the case that AS-funds were in fact not that radical. Investment companies emphasized that foreign models were more financialized than what they were proposing, as for example American 401k plans allowed asset managers to invest in warrants and commodity futures, which "does not correspond to the thinking in continental Europe" apropos of prudent old age provision (Laux 1999). On the other hand, investment companies touted 401k plans as proof that AS-funds would boost occupational pension coverage among SMEs (BVI 2000a).

Rather than a foreign model, UK pension funds were increasingly employed as a foreign cautionary tale. The BVI argued that lawmakers should follow the AS-fund model to "avoid the weaknesses of the traditional British pension fund system" (BVI 2000b), as covering biometric risks with pension funds had detrimental effects on employee mobility in the UK (BVI 2001) and AS-funds would allow more flexibility during both the contribution and the payout phase (BVI 2000a). The first publication proposing financialized pension funds by German banks, for example, contained eight references to 'Anglo-Saxon' models (Nürk and Schrader 1995). Later banks largely stayed away from that framing and, if at all, referred to 'international models' instead (interview Weber). The altered usage of these foreign reference points suggest that challengers initially referred to 'Anglo-American pension funds' without having immersed themselves too deeply in their actual design (for a critique of challengers along these lines, see Schmitz 1996, 1547ff.). For example, had UK pension funds actually provided templates for German proponents of financialized pension funds, the later shift toward presenting them as cautionary tales would seem less plausible. This lends credence to the claim that foreign pension fund models did not have a substantive impact on key local protagonists of financialized pension funds.[139]

Investment companies moved from leveraging the appeal that foreign models may carry in an increasingly neoliberal zeitgeist to touting their AS-funds as a superior alternative to foreign pension funds. The BVI commissioned UK economist David Blake to examine AS-funds against the backdrop of his criteria for an "ideal pension fund system" (Laux 1998, 114ff.). Blake concluded that AS-funds were the guiding model for the "pension fund system of the 21st Century" (F.A.Z. 1997). The overall framing thus shifted from AS-funds bringing the benefits of foreign models to Germany, to AS-funds as the "successor model of the traditional Anglo-American pension fund" (Laux 1999). In this vein, the BVI presented AS-funds as the "nucleus of a future harmonized European pension fund system" that means a "synthesis of Anglo-American pension fund systems [...] and continental European systems" (BVI 2000a).

To understand the outcome of the interpretative battle between financial challengers and incumbents, the proceedings of the working group *Occupational Pension Funds* are

[139] Anglo-American pension funds were not the only foreign reference point to feature in this conflict. A last minute exchange about Austrian pension funds between insurers, investment companies and the chairman of the Bundestag's financial committee, Carl-Ludwig Thiele, during the Third Financial Market Promotion Act negotiations illustrates how foreign examples were politically weaponized. In a fax shortly prior to the passing of the law, insurers (GDV) expressed their concerns about AS-funds and tried to "dispel that Austria actually implements something similar," as those products were "fundamentally different" and closer to insurance-based products, contrary to what the BVI had suggested (GDV 1998). Two days later the BVI countered these allegations, citing recent talks to the Austrian ministry of finance (BVI 1998).

particularly instructive. Initiated in 1998 by the ministry of finance to develop German pension funds, banking, insurance, and industry representatives developed three varieties of pension funds under the chairmanship of Professor Wolfgang Gerke (Röper n.d.). The 'Gerke commission's' self-characterization reads like a model case for the translation literature: "The working group has examined the transfer of foreign pension funds into the German system of old age provision. The working group's proposal materially constitutes such a transfer, although the particularities of occupational old age provision and the prevalent tax regulation in Germany are taken into account" (Gerke 1998, 24). Substantively, however, the commission's report upholds an insurance-based conception of old age provision and rejects a definition as pure capital formation (Gerke 1998, 5-6) in what largely corresponds to the preferences of agents of continuity (Röper n.d.). Even the most liberal defined contributions-pension fund variety ought to insure against biometric risks and guarantee the payout of nominal contributions (Gerke 1998, 24-25). The report presents this break with the common connotation of the alleged foreign models as something of a foresighted update: "This design anticipates developments in Anglo-Saxon countries, where most recently defined contribution systems were modified in ways that achieve an increasing relief of the risk borne by employees" (Gerke 1998, 25). In other words, the pension schemes proposed by the commission corresponded to what it thought *foreign systems will and should look like in the future*.

Essentially in line with the Gerke-commission's recommendations, the pension funds that were eventually established as part of the PRA2001 merely marked another step in the marginal trend toward more equity orientation in old age products (Vitols 2003; Röper n.d.). Pension funds had to offer a 'no loss-guarantee,' lifetime annuity and must not be pure defined contributions schemes. Antagonists of financialized pension funds had successfully fended off far-reaching reforms. Banks complained that "what's referred to as pension funds, are actually life insurances" (BdB 2001). That these 'pension funds' in fact had little to do with 'Anglo-American pension funds' became perhaps most apparent in a speech given by chancellor Gerhard Schröder at a banking conference after the PRA2001 had been passed: "I know that the German banking association has formed the aspiration to allow pension funds of an Anglo-American flavor in addition. I think we will have to talk about that [in the future]" (Schröder 2001).

While ideas tend to "have a nasty habit of transubstantiating as they wend their way throughout the space of discourse" (Mirowski 2014, 13), the political battle over German pension funds sheds considerable doubt on translation or diffusion as the mechanism at work here. If we recall the definition of translation as "the combination of new externally given

elements received through diffusion as well as old locally given ones inherited from the past" (Campbell 2004, 80), the dynamics described above hardly qualify as translation. Local protagonists of pension funds were not substantively influenced by Anglo-American conceptions and instead used them as frames to advance their longstanding preferences. Antagonists of pension funds were clearly not substantively inspired by foreign ideas either, but used them as defensive frames.[140] Rather than a substantive effect of 'Anglo-American pension funds' in terms of idea generation or reshaping preferences, we see a rhetorical 'localization' of a label that creates somewhat of a Pontemkian village of radical policy innovation. During this *label localization*, 'Anglo-American pension funds' were not actually translated to the German context, but still featured prominently in the domestic political battle over the financialization of pensions as a remarkably malleable frame used by both challengers and incumbents (for an overview, see Table 1).

Table 1: The Utilization of 'Anglo-American Pension Funds' in Stylized Stages

The Challenge	Challengers link their proposals to Anglo-American pension funds as *add-on legitimizers* to leverage the appeal that they expect these foreign models to carry in an increasingly neoliberal zeitgeist.
Incumbents' Confrontation and Relativization	First, incumbents engage in *confrontation* and reject the need for Anglo-American pension funds in the German context altogether. Second, they adapt by pursuing *relativization* in putting Anglo-American pension funds in perspective: These actually contain safety buffers, offer life annuity, and thus, are in line with what they had been demanding all along. Incumbents begin to advocate their own version of 'Anglo-American pension funds.'
Challengers' Rearguard Action	Challengers refer to 'Anglo-American pension funds' to present their own proposals as less radical/financialized and thus superior to these foreign examples. What they used to present as foreign models, challengers now in part employ as foreign cautionary tales.
Incumbents' Prospective Reinterpretation	Incumbents manage to enshrine their preferred brand of pension funds (both in the Gerke-Commission and the PRA2001) and frame this as 'Anglo-American pension funds' with a twist: Anglo-American pension funds should be designed like this in the future.

[140] Dixon and Sorsa (2009, 358; emphasis in original) would disagree, considering their characterization of the PRA2001: "following developments at the EU level, the reform opted for the creation of Anglo-American-style pension funds. [...] In terms of institutional change, new institutions were simply created 'from the above' through *translating* non-local, Anglo-American regulations into a new regulative environment." Note that the EU Commission's pension fund proposal from 2000 did not contain such insurance-fied provisions (Fuest et al. 2001, 86).

Conclusion

This paper has revisited the role exogenous policy ideas have played in German pension politics. It shows that they did not have a substantive impact in the sense that ideas were externally conceived and imported by local actors or crafted by local actors under the impression of foreign models or actors. Instead, German pension iconoclasts developed their ideas predominantly by recombining longstanding local policy ideas in novel ways (Campbell 2004). As King and Smith (2014, 960) submit: "new political ideas are rarely wholly new. They must be grasped as efforts to craft—out of intertwined medleys of older political conceptions—reformulations of policy content and purposes that resonate with ingrained senses of identities and interests." The paper contributes to research exploring 'the national origins of policy ideas' (Campbell and Pedersen 2014) and mechanisms of ideational-institutional change 'from within' (Carstensen and Röper forthcoming).

Zeroing in on their symbolic rather than substantive role, foreign ideas also ought to be appreciated as frames. Such a perspective on the politics of framing helps solve the puzzle of foreign models that are inconsequential in terms of local preferences and idea origination, but saliently evoked in political debate. Appreciating foreign ideas as discursive weapons bridges the conceptual blind spot between the bricolage and translation literatures. As shown for the case of 'Anglo-American pension funds in Germany,' close consideration through the lens of the substantive-symbolic distinction may yield new perspectives on the origins and the overall nature of the change we observe.

Appreciating foreign ideas as framing devices suggests both a theoretical and empirical agenda. The theoretical agenda may include specifying permissive conditions and generative causes for when symbolic and/or substantive exogenous ideational impact is at work. The present article does not attempt to specify the conditions under which foreign models are likely to serve as framing tools and conditions in which more substantive translation is likely. It merely suggests that developed political economies are not green fields, but mature institutional arrangements, which does not only make wholesale imports of social policy concepts unlikely, but also thinking in such terms. Given the centrality of local academic and political debates and the breadth of minority discourses, even iconoclastic policy ideas are often conceived domestically. The empirical agenda may involve exploring whether the distinction into substantive-symbolic framework can help revisit debates between domestic and global perspectives on change and verifying whether the hypothesized differences between core and peripheral states with regards to the nature of exogenous ideational impact are borne by the empirics. If it actually offers new insights, it

may buck the trend in modern social theory to "label, relabel, and to describe rather than to explain" (Hedström and Swedberg 1998, 1).

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6. Conclusions: Business Cohesion, Varieties of Capitalism and Structural Power

The thesis has explored the politics of the German pension-finance nexus and shown that financial actors undergo complex preference formation processes, have diverging interests and pursue these with adaptive discursive political strategies. Agents are not mere 'takers' of institutional and material incentives, but to a certain extent "autonomous reflective actors able to reinterpret and recreate their environment" (Clift 2012, 570). They change preferences, make strategic adjustments and manipulate malleable policy concepts when engaging in political combat. Instead of rehashing the findings and contributions of the three papers at length, this chapter will reflect on the implications of the thesis and its ideational institutionalist perspective on pension financialization for three issues that lie beyond the scope of the papers.

First, as the analyses have focused on segments of capital almost in isolation, it seems pertinent to discuss what the inter-capital struggles examined may mean for our understanding of pension politics more broadly. For example, one may be easily misled to conclude that the infighting among segments of German capital described in papers 2 and 3 undermined their external cohesion when confronting organized labor and other actors in the pension arena. Second, while this thesis draws on concepts and terminology from the Varieties of Capitalism (VoC) framework, it never explicitly engages with its underlying arguments. I will weigh the ideational institutionalist perspective advanced here against a VoC explanation of pension financialization. Third, I will similarly ruminate on the explanatory value of structural power approaches for German pension financialization. Combined, these three discussions help clarify the theoretical and empirical contributions of the thesis to the wider comparative political economy (CPE) literature. A brief coda concludes the thesis.

Cohesion vs. Competition: Segments of Capital in Pension Politics

One of the most striking findings of the thesis is that segments of finance and business may act as consequential antagonists of pension financialization (see papers 2 and 3). Not least due to this opposition from within capital, we see relative continuity and limited financialization of German private and occupational pensions. One may conclude that these findings contradict the contention that the German pension system underwent a paradigm shift toward multi-pillarization. While the redesigning of the second and third pillars avoided substantive financialization and thus displays path dependent qualities, the relative weight of

the three pillars was still substantially reshuffled. As a result, a larger share of German old age income depends on capital markets, which indicates pension financialization (Ebbinghaus 2018). However, safety buffers in terms of guarantees and insurance elements aim to protect individuals from risk and volatility in this new 'private pension market' (Berner et al. 2009) more than in most other countries, as has become obvious in the aftermath of the global financial crisis (Wiß 2015). This underscores that pension financialization is a multi-faceted phenomenon and "a matter of degree" (van der Zwan 2017, 561).

The analytical focus of the thesis on the political infighting among segments of finance raises another question with regards to pension politics at large: How do we accommodate the internal conflict within finance that is potentially heightened by financial liberalization and the fact that financial sector actors and organized business at large tend to be externally perceived as a unified group? It would be reasonable, after all, to infer based on the analyses in papers 2 and 3 that all the infighting over pensions among organized business interests might have led to a fragmentation of capital to the extent that it hampered their advocacy of pension privatization as their shared and overarching goal. Let me briefly elaborate on why financial liberalization may mean heightened political competition within finance, before I return to the issue of cohesion and reflect on why business infighting did not result in its external weakening.

It bears emphasizing that segments of finance always compete over private old age savings. As paper 2 shows, market product competition among factions of finance was a permanent feature throughout the 1980s and 1990s, even under the 'coordinated' German financial regime. Corporate competition only turned into 'competition politics' (Mügge 2006) when a blend of shifting economic fundamentals and political winds provided an opening to insert 'path-shaping' new ideas and instruments in line with the political program of finance capitalism. In this sense of *political* competition, financial liberalization may pit factions of finance against one another. The example of German efforts to promote private capital formation (*Vermögenspolitik*) shall prove instructive here. As Carstensen and Röper (forthcoming) and paper 3 of this thesis suggest, many of the political conflicts among factions of finance that we saw in the context of pension debates as of the mid-1990s, previously took place in the context of Vermögenspolitik.

Determined to remedy corporate Germany's 'equity problem,' policymakers sought out new ways to promote (private) capital formation. Especially investment companies and their parental banks increasingly butted heads, because the allocation of direct savings

subsidies for private wealth formation meant 'competition politics' over whose products were premium-worthy in this context of "publicly subsidized and regulated private benefits" (Hacker 2002, 11). Investment companies managed to increase the government savings subsidies for equity-based forms of investment beginning in the 1980s, while other types of saving experienced cuts or were canceled altogether due to fiscal consolidation (Dietrich 2006a).[141] During the 1983 Vermögensbeteiligungsgsetz debate, banks and investment companies still showed a united front in demanding to foster stocks and investment funds (BVI 1981, 11).[142] This changed in the context of the 1987 Vermögensbildungsgesetz and the debate about legalizing equity investment funds (*Beteiligungs-Sondervermögen*) that would be allowed to invest in SMEs through so-called silent partnerships. While publicly in favor of this novelty, Deutsche Bank and other banks sought to prevent this, because they feared it might interfere with their lending to SMEs (interview Laux; BVI 1986, 11).[143] Whereas this disagreement between banks and investment companies over equity investment funds did not meet the public eye at the time, the BVI's initiative to introduce money market funds meant an open confrontation with banks and the Bundesbank. Money market funds had long been common practice in other developed countries, but banks and the Bundesbank raised concerns about detrimental monetary effects.[144] The victory by investment companies in an open dispute with banks signaled a new sense of political emancipation on the part of the BVI.[145]

Both the liberalization of equity funds and the case of money market funds indicate how financial liberalization may pit factions of finance against one another. Even though commercial banks are widely considered to be central instigators of German financial liberalization (e.g. Lütz 2003; paper 1), not all goals and implications of finance capitalism necessarily align with banks' interests. In the context of Vermögenspolitik, financial

[141] Especially the 1990 First Financial Market Promotion Act marked a victory for investment companies: the legislation made away with direct savings subsidies for bank deposit savings plans and life insurances, reduced the premium to 10 percent for building societies, and granted the maximum premium of 20 percent exclusively to equity funds, in what amounts to a "complete reorientation" of private wealth formation policies (interview Laux; see also BdB 1989; Dietrich 2006b).

[142] During the 1983 Vermögensbeteiligungsgsetz debate, the BVI secured the same subsidies for investment funds as for employee shares (BVI 1984, 9).

[143] Around that time, but through a different legislation (1986 Act on the Improvement of Underlying Conditions for Institutional Investors), life insurers were similarly enabled to invest in non-listed companies (Deutsche Bundesbank 1987, 18; GDV 1987, 17).

[144] More importantly for banks, they were facing higher refinancing costs as a result of the introduction of money market funds (Detzer et al. 2012, 144). The BVI launched the requisite legislative initiative for money market funds through the state government of Lower Saxony, which made it part of the 1994 Second Financial Market Promotion Act through the Bundesrat.

[145] The importance of this conflict is perhaps best illustrated by the fact that during the money market fund debate, according to the BVI's then chief lobbyist, the banking association (BdB) first tried to poach him and then even proposed to absorb the BVI into the BdB, which eventually failed not least due to the resistance of the investment companies that were subsidiaries of public banks and members of the BVI (interview Laux).

policymakers' preferences often sided with investment companies rather than deposit-taking banks and insurers who were perceived as too hesitant to invest in stocks. Despite this increased political competition among factions of finance, the legislations that brought about German financial liberalization throughout the 1980s and 1990s are widely considered prime examples of consensual and technocratic policymaking (e.g. Beyer and Höpner 2003; Deeg 2005). One reason for this may be the *Eigenlogik* of financial policymaking in terms of its low public salience and limited participation of organized labor, which makes for 'quiet politics' (Culpepper 2011).

This thesis points to an additional factor for achieving external cohesion despite internal conflict: discursive mechanisms that avoid strife and fragmentation within finance and business. Consider the interpretative battle over pension funds that papers 2 and 3 examine. Pension funds were ambiguous enough for organized business and finance to jointly advocate them 'externally,' while infighting over the dominant interpretation continued in what one may characterize as dialectical political dynamics. This chimes with recent II literature on how ideas may factor into political dynamics as 'coalition magnets' (Béland and Cox 2016) that bring about 'ambiguous agreements' (Palier 2005) when actors converge on 'common knowledge' (Culpepper 2008). Especially those ideas and policy concepts that are malleable, polysemic and ambiguous and thus mean different things to different people, may help "aggregate different visions and interests" (Palier 2005, 131). Whereas these concepts are usually applied to political conflicts involving a wider range of actors in cross-class alliances and conflict, they provide an illuminating lens through which to zero in on political strife among segments of capital. It may be true that it is relatively easier for organized business to achieve cohesion than for organized labor (Offe and Wiesenthal 1980, 79ff.), yet unity within capital does not come about automatically or apolitically (e.g. Leimgruber 2008; Callaghan 2018). The underlying mechanisms of internal competition and external cohesion among segments of capital in general, and how discursive strategies factor into this in particular, deserve the attention of future research. The importance of a more nuanced understanding of the political dynamics that bring about cohesion among factions of finance and business at large can hardly be overstated, as the "degree to which the business community is united or divided in the policymaking process has long been understood as a key element in influencing the capacity of business groups to shape regulatory policies" (Young and Pagliari 2017, 3).

Extending this research on mechanisms of cohesion to capital-labor conflicts seems particularly promising in the context of pension financialization. How do these mechanisms differ between organized business and labor? A cursory view suggests that while German

organized labor increasingly fragmentized over the issue of fighting pension multi-pillarization versus adapting to gain influence through collective occupational pension schemes during the 1990s (Schludi 2005, 161; Wiß 2018; see also Trampusch 2007; Ebbinghaus 2015; Naczyk and Seeleib-Kaiser 2015), organized business and finance demonstrated unity in pushing for public pension retrenchment and pension funds (however the latter may be designed in detail). It seems reasonable to assume that this difference in internal cohesion contributed to the victory of organized business that was overall (macro) pension financialization. Probing into and juxtaposing (discursive political) mechanisms of internal cohesion between segments of capital and labor, respectively, may hold an important key to understanding how business successfully 'invaded' the pension arena (Carstensen and Röper forthcoming) but also how cross-class alliances in support of certain elements of pension financialization came about.

Varieties of Capitalism and Pension Financialization

VoC scholarship has laid much of the groundwork for analyzing the linkages between pension and financial systems in CPE (Hall and Soskice 2001; Jackson and Vitols 2001; Manow 2001; Estévez-Abe 2001; Vitols 2004). It only seems reasonable to discuss the implications of the perspective advanced in the thesis for arguments deduced from the VoC framework. VoC scholars may argue that a deregulatory 'unraveling' in finance has translated into functional pressures that brought about pension system change toward a new 'liberal' equilibrium of institutional complementarity. Cohesion among financial actors may stem from a shared material interest in a functional response to an altered institutional context. Given the (de)regulatory changes and global competitive pressures it might have simply been in the interest of banks, insurers and investment companies to push for more capital market-oriented private pension policy solutions. Only when the old mode of non-market coordination under the German model of finance began to erode, did we see the battle over private pensions between factions of finance as of the mid-1990s that numerous authors have identified. In this view, only once German capital markets were substantially de- and re-regulated, were they ripe for pension multi-pillarization. Deeg (2001, 49) may therefore be right in submitting that "private pensions in Germany became a feasible policy option only after securities markets became more developed." Without rejecting these functionalist lines of argument altogether, several findings from this thesis point to their explanatory limitations and underscore the need for a more political perspective.

The VoC framework has been subject to a wide range of criticism. One of the main lines of critique argues that VoC is incapable of accounting for institutional change (cf. Deeg 2005; Steinmo 2010; Streeck and Thelen 2005). Institutional complementarity and reciprocally reinforcing strategies of policy-makers and firms render the VoC approach without tools to explain institutional change. Based on the view that institutions constrain and enable actors to coordinate, only those changes that alter modes of interaction among actors matter (Hall and Thelen 2009). Hence, change in one institutional domain can solely occur in a coevolutionary fashion within the institutional arrangement of the political economy at large. Analytically speaking, only exogenous shocks may induce change in VoC, which then takes the form of exclusively positive feedback mechanisms toward a complementary equilibrium (Hay 2005; Streeck 2010). The one endogenous source of fundamental institutional change that Hall and Soskice (2001, 64) concede—"[f]inancial deregulation could be the string that unravels coordinated market economies"—is a conjecture on which they barely elaborate.

If in the original VoC framework a shift toward a new institutional equilibrium is premised on an altered mode of coordination, in the case at hand this would entail a shift toward a market-based financial system and a pension system that is predominantly prefunded. This binary conception of change fits uneasily with the empirics, as both the German financial system (paper 1) and the pension system (papers 2 and 3) liberalized disparately. This criticism of VoC's difficulties to accommodate hybridization is well rehearsed and has prompted conceptual advancements to accommodate disparate patterns of change, especially among historical institutionalists (e.g. Deeg 2005; Lane and Wood 2009; Thelen 2014). More interestingly, this thesis puts into question the very premise that the German financial system was as coordinated as VoC scholars would have it. At the core of this conception of coordinated finance was a network of interlocking directorates and ownership ties ('Deutschland AG'). For the market of private savings products, scholars often implicitly assume informal coordination in adherence to the 'principle of separation' between banks and insurers up until the mid-1990s. Paper 2 contains the first analysis to comprehensively disentangle the complex web of political and corporate links among segments of finance prior to 1995. The fierce competition over private old age saving beginning in the 1970s described in paper 2 dispels notions of informal market sharing or tacit agreements between the main factions of finance under the 'Deutschland AG' regime for the context of old age saving products. That these conflicts among factions of finance have largely been overlooked in the otherwise extensive literature on German finance may stem

from oftentimes ideal-typified conceptions of informal coordination between banks and insurers.

Another way in which the thesis takes issue with a VoC account of German pension financialization pertains to its rationalist ontological underpinnings. Due to game-theoretic assumptions about actor behavior and deterministic assumptions about institutional complementarities, actors merely function as 'takers' of institutional logics in punctuated equilibria in the VoC universe. The absence of power, conflict and sentience within the VoC framework has been criticized as hampering efforts to account for institutional change (Pontusson 2005; Korpi 2006). Agency is essentially assumed away, as actors' behavior is the derivative of their institutional context. Institutions do not distribute power, but enable strategic coordination (Howell 2003, 105). Such "political fatalism" (Hay 2005, 109) equalizes all interests with the common goal of economic efficiency (Streeck 2010, 24). Actors are merely "bearers of institutional logics" (Hay 2005, 109) in an equilibrial "iron cage of institutions, which they cannot change" (Crouch 2005, 3).

Now consider the case at hand. A VoC explanation of the reorientations of financial sector actors could not accommodate that the first order preferences of all three main segments of German finance did not meaningfully change during the 1980s and 1990s (papers 2 and 3). Instead, their reorientations were predominantly strategic adjustments to an altered political context. Rather than deregulation having brought about changes in institutional incentives that made it 'rational' to reorient, it was financial liberalization altering the power relations among factions of finance and the overall political opportunity structure (paper 2). In a political environment marked by distrust of finance capitalism and a perceived incommensurability of policy goals pertaining to old age provision and capital formation, prior to 1995 insurers opposed financialized pension funds, banks had but a second order preference for such constructs and only investment companies had a first order preference. This constellation began to shift when policy ideas affirming the superiority of shareholder- and capital market-oriented practices were increasingly shared as the new interpretative framework among policymakers. When finance capitalism reached a tipping point of dominance in 1995 (paper 1), investment companies and banks sought to leverage this political momentum toward financial liberalization in acting on their first and second order preferences for financialized pension funds, respectively. This suggests that "[g]rowing capital market importance [...] had not happened 'naturally' or been owed only to external pressure" (Mügge 2015, 185).

A re-examination of investment companies' positioning further substantiates that it was in fact the prevalent conservative financial paradigm rather than functional obstacles that had guided their behavior. When the BVI began to consider the market potential that may result from future "provision gaps" in public pensions in the early 1980s, it exclusively referred to bond funds as a suitable product, given its security and predictability (BVI 1983, 30). This line of argument continued when investment companies introduced bond funds with insurance coverage: "Old age provision plays a prominent role in terms of motives to save among private households. Striving for maximum social security more than ever defines the general awareness" (BVI 1985, 29). Rather than for rates of return, investment funds were touted for their bank deposit-like transparency and liquidity (BVI 1985, 29-33), while the German reluctance to take more risk was lamented as a "psychoanalytical phenomenon" (BVI 1987, 19). Only after launching AS-funds, investment companies began to compare rates of return to competing products and the public pension system (BVI 1996, 29-31).[146] They argued that over the long-term, AS-funds' "superior yields" vis-à-vis bond funds and life insurances would offset concerns about higher volatility and risk (BVI 1996, 30). Such notions of efficiency through cost averaging effects and compound interests marked a turning point. As one of the key actors involved at the time attests, the BVI only dared to advocate financialized products like AS-funds when it felt encouraged by finance capitalism's political momentum and chancellor Kohl's frequent call for more risk-taking in German politics at the time (Laux 1996, 458; interview Laux).

From a functional perspective one may also argue that private financial sector actors and financial policymakers began to favor investments in equity over bonds in the mid-1990s due to "favorable financial timing" (Béland 2006, 568). German stock markets, however, merely oscillated during the first half of the 1990s and only really began to rally in 1996 (see Figure 1). Even if the stock market development prior to 1995 had been more impressive, this would not help explain the shift in advocating equities over bonds, as the spread of yields between both forms of investment has not experienced substantive changes and, if at all, divergence set in after 1995 (see Figures 2 and 3; for a survey of such comparisons, see DAI 2004). This is markedly different from other cases such as the US, where stocks' rates of return have exponentially outpaced bonds since the 1940s (see Figure 4). One may also assume that the technical infrastructure had yet to be developed to offer pension fund type products prior to the mid-1990s, but practitioners unequivocally deny this (interviews Laux; Passow).

[146] Even in 1994 the BVI still advocated unit-linked life insurances as the ideal combination of transparency and security that is attractive due to tax privileges (BVI 1994, 39-42).

Figure 1: German Stocks (Dax) since 1959



Source: boerse.de

The thesis contends that the politics of ideas and discourse are important to understand the impact and behavior of factions of finance at the German pension-finance nexus. While the VoC framework essentially assumes away ideas and discourse, the crucial role that narratives played in informing financial actors' strategies further substantiates the importance of appreciating actors as sentient. Paper 2 merely touches on the importance of the 'Allfinanz' narrative, which stipulates that large financial companies need to offer the full range of financial services in order to stay competitive in an increasingly borderless global financial system (e.g. Stracke 1988).[147] As a reaction to a multitude of new actors emerging in the context of another buzzword in the German context at the time, 'financial services'—ranging from near-banks like building societies to non-banks like mail order companies—both banks and insurers understood Allfinanz as an imperative to diversify and thus blur the lines between segments of finance.[148]

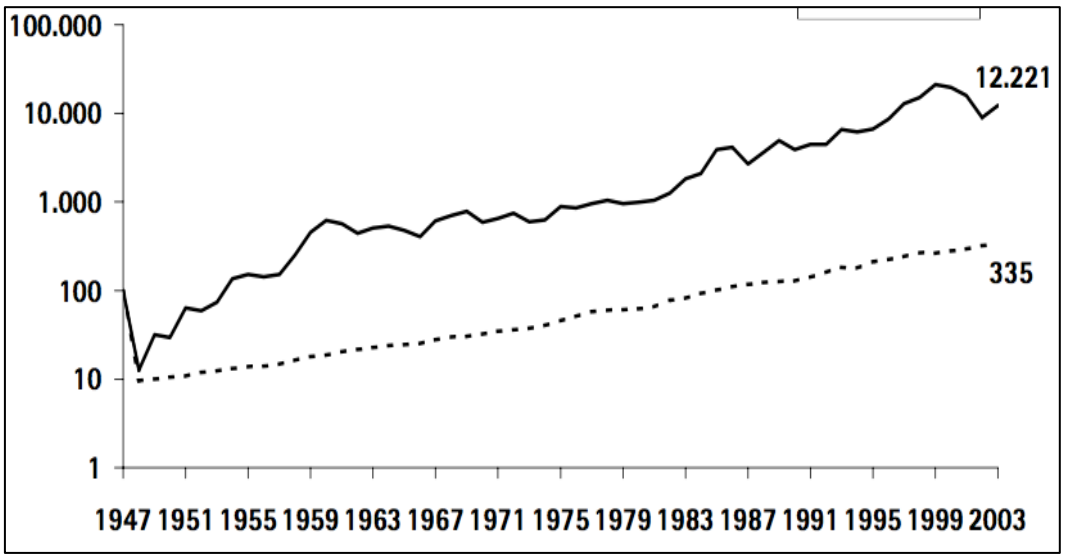
In hindsight, the actual track record of pursuing Allfinanz strategies is mixed at best, as indicated by reversals and reorientations toward specialization (Pohl 2011). This at least indicates that rather than an objective or rational reaction to material circumstances, Allfinanz falls into the category of "commonly shared narratives about what the future will hold [...] [that] offer guidance about the most relevant trends to which business and political strategies should be adapted" (Mügge 2009, 177). As one bank economist at the time

[147] For a discussion of different definitions of Allfinanz, see Pohl (2011, 9-13).
[148] For overviews of these new actors, see Spanier (1985, 550-551); Stracke and Pohl (1987, 539-543).

shrewdly observed: "one ought to be aware that one may attribute certain causes to the Allfinanz-movement, but in practice 'cause' is equivalent to 'expectation of certain developments.' Allfinanz is—be it explicitly or implicitly—based on projections, for example of housing construction or old age protection" (Remsperger 1989, 306). Though clearly materially motivated, the Allfinanz narrative likely played an important role in overcoming the longstanding principle of separation in German finance, and thus by extension, had an impact on financier's preferences vis-à-vis pension politics. The role this corporate strategic narrative played in the case at hand and financial narratives in general deserve further scholarly attention.

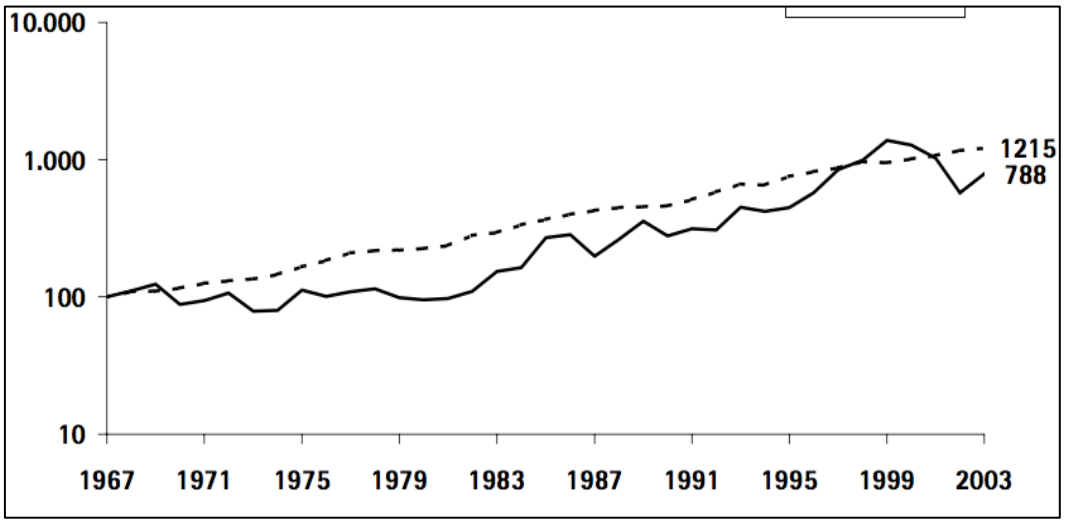
This admittedly impressionistic consideration of VoC pension financialization arguments at least highlights their explanatory limitations. VoC's inability to accommodate non-hegemonic liberalization and the questionable premise of non-market coordinative finance in the case at hand already shed doubt on its ability to make sense of German pension financialization. That neither segment of finance altered their first order preferences during the 1980s and 1990s fundamentally contradicts VoC's assumption of rationalist actors' interests essentially aligning with institutional incentives. Changes in the political environment and narratives like Allfinanz—factors that VoC conceptually omits—appear to have been causally consequential. Taken together, this suggests that deeply political processes bring about change at the pension-finance nexus and analyses need to be able to accommodate these.

Figure 2: Stocks vs. Bonds (Germany, 1947-2003)



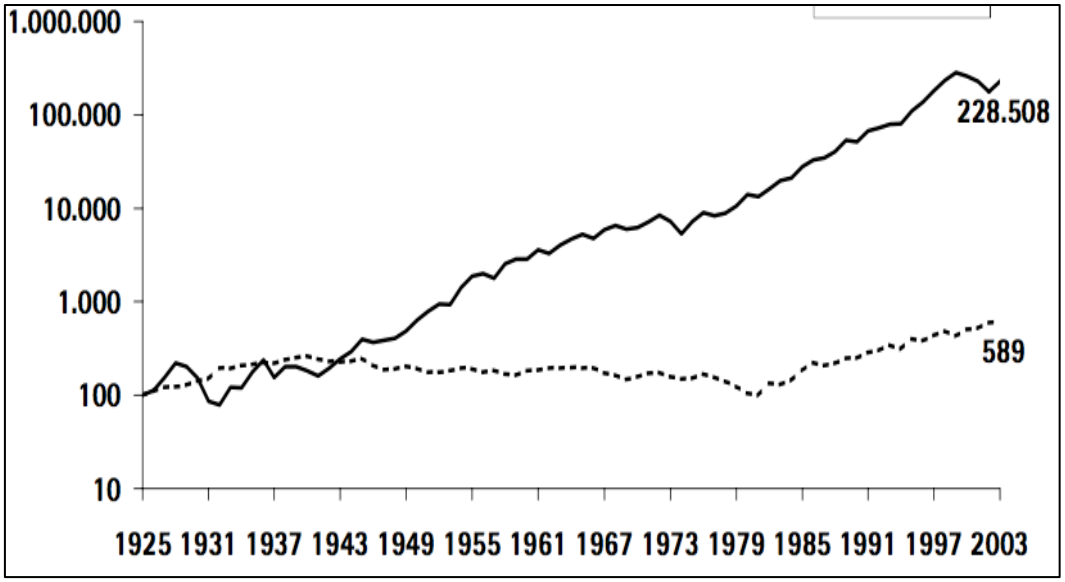
Source: DAI (2004), 96.

Figure 3: Stocks vs. Bonds (Germany, 1967-2003)



Source: DAI (2004, 99).

Figure 4: Stocks vs. Bonds (US, 1947-2003)



Source: DAI (2004, 84).

Structural Power Perspective and the Pension-Finance Nexus

This thesis has focused on the instrumental power of segments of capital, mostly in the sense of political strategies that these actors pursue to get their way. In doing so, it has elided the second main type of influence identified in the literature: structural power (e.g. Hacker and Pierson 2002; Fairfield 2015). A structuralist perspective on pension financialization may

suggest that increasing structural power by finance and business in terms of exit options has led to anticipatory obedience vis-à-vis their preferred policy solutions (for an overview of structural explanations of financial system change, see Deeg 2010). This section reflects on the implications of the thesis for structural power arguments and their overall plausibility in the context of German pension financialization.

When discussing pension financialization, it is important to specify which facet or level is concerned. The thesis has mostly examined the political conflicts pertaining to micro-level pension financialization in terms of the shift from defined benefits toward defined contributions and other design features of non-state old age provision. In this context the plurality of preferences within finance and organized business uncovered in this thesis sheds doubt on the merits of structuralist explanations of pension financialization. If financial sector actors and segments of organized business did not want the same, how can structure favor them? To be sure, monolithic business interests are not a prerequisite for business to wield structural power (Hacker and Pierson 2002, 282), but substantive disagreement between key segments of capital, as in the case of German pension financialization, can still be expected to undermine this power.

If we look at pension financialization at the macro-level—the shift from PAYG funding toward a higher share of old age income stemming from prefunded schemes alongside public retrenchment—one can hardly reject that increased structural business power might have contributed to this outcome. All segments of finance and business favored this shift toward multi-pillarization and capital-funding of pensions. Even if one does not fall back on deterministic views where the "structural dependence of the state on capital" (Przeworski and Wallerstein 1988) means business is generally in a "privileged position" (Lindblom 1977), the poor overall economic conditions during the mid-1990s can be expected to have tilted the playing field toward business interests (Vogel 1989); especially considering the overall decline of German labor power in terms of coverage, level of centralization and public legitimacy throughout the 1980s and 1990s (e.g. Hassel 1999; Schroeder and Keudel 2008). Also, leaving a political jurisdiction has become appreciably easier for businesses during this time, in line with the 'capital mobility thesis' (Frieden 1991).

What about the structural power of the financial sector in particular? "If influence depends on fear of disinvestment, then it will vary depending on how credible policy makers believe that threat to be" (Hacker and Pierson 2002, 282). Compared to most non-financial firms, increased labor costs due to higher social contributions (that would arise in the absence of retrenchment and multi-pillarization) are less threatening to financial actors'

business models and thus presumably less of a credible reason to exit. Yet, by branching out internationally, large German commercial banks and insurers can be reasonably assumed to have gained in structural power in the sense that their decreased reliance on the home market means a more credible threat to exit. Take Deutsche Bank, for example, the largest German commercial bank by a stretch: If it holds true that "[t]he strategic structural power individual banks can use vis-à-vis the state is [...] a function of the dependence of a bank on the domestic market" (Culpepper and Reinke 2014, 432), Deutsche Bank's retreat from the 'Deutschland AG' beginning in 1995 should have meant a concomitant increase in structural power. However, when looking at arguably the most relevant proxy in this context—the ratio of domestic and foreign revenues—one can see that Deutsche Bank did not begin to seriously internationalize up until 1999, at which point the political thrust toward pension retrenchment and financialization had been well underway (see Figure 5).[149] Also note that already in the late 1970s, "seven out of ten of Germany's largest banks owed 25 to 40 per cent of their profits and balance sheet assets to international operations" (Story 1996, 378). It seems hard to make the case that finance's decreasing dependence on the home market crucially boosted their structural power in the late 1990s.

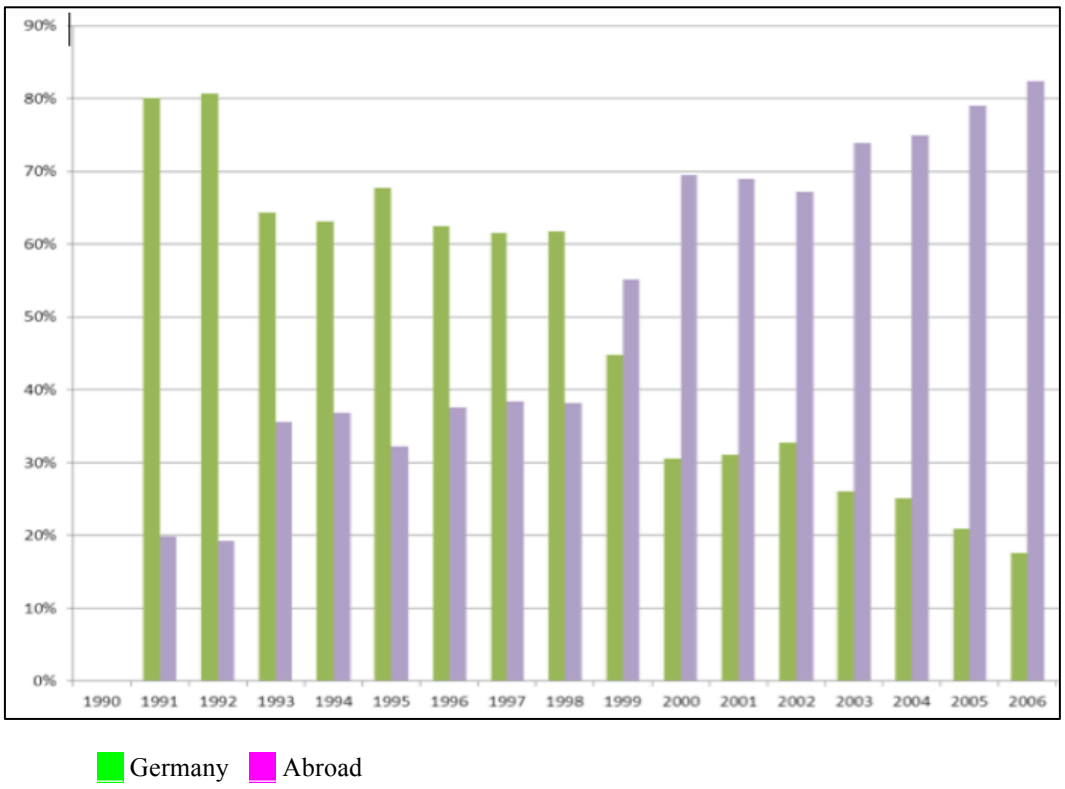
It is also questionable whether finance's structural power is a plausible causal factor contributing to the German shift toward pension multi-pillarization. Contrary to situations where business is under immediate regulatory attack as with bank bailouts (Culpepper and Reinke 2014) or cases of drift (Hacker and Pierson 2010), in the case at hand a threat of exit (be it implicit or explicit) can hardly be maintained. After all, policy changes toward prefunded pensions generate *additional* market volume and changes within the private pension regime mean competition over *domestic* private wealth. Threats to exit from financial sector actors do not seem credible in this context. In many cases financial sector actors may reasonably argue that if the government does not liberalize a certain type of investment product, investors will channel their funds abroad. In the case of government-subsidized old age savings products, however, this exit option is irrelevant, since these have to be offered by firms with a presence in Germany and adhere to investment criteria dictating that a majority of funds be invested in Germany. Also, consider the example of German insurers: They may well expand into other markets and offer their services abroad. Moving the 'production' of those services abroad and offering services 'produced' abroad to German customers, however, was unheard of at least up until the early 2000s (Häusele 1999). To my knowledge only the BVI sought to employ 'strategic structural power' (Culpepper and

[149] One may argue that the implicit threat caused by announcing the strategic shift in 1995 already meant increased structural power, which is often considered to be of an implicit nature anyway.

Reinke 2014) during the debates leading up to the 2001 pension reform when threatening that investment funds may be moved to Luxemburg, where the regulations in terms of payout guarantees for pension funds are less stringent (Wehlau 2009, 183). There are no indications that this line of argument left an impression on policymakers.

In addition to these general characteristics of pension policymaking, it is doubtful whether the case at hand is suited to empirically discern the causal importance of structural power. As Culpepper (2015, 369-397) contends: "demonstrating structural influence is difficult to show when the preferences of business correlate with the preferences of governments and/or public opinion." As a large share of policymakers favored multi-pillarization, which was electorally ambiguous, the causal role of structural power seems hardly identifiable. To be sure, this does not mean that a potential increase in structural power by finance had no bearing on the trajectory of German pension politics. Future research should explore ways of discerning the role of structural and instrumental power of finance in the pension policymaking context—maybe in systematic cross-country analyses—, as this promises to yield important insights into the political dynamics underlying pension financialization.

Figure 5: Deutsche Bank's Domestic and Foreign Revenues (1991-2006)



Source: Schmidt (n.d.).

Coda

The Politics of the German Pension-Finance Nexus has raised various issues that may enhance our understanding of political dynamics in developed political economies. These include the divergent preferences among segments of finance and business, the resulting inter-capital conflicts and coalition building dynamics and the adaptive discursive political strategies these actors employ. The analyses in the three papers have demonstrated that the financial system is a domain populated by sentient actors who engage in political combat amongst themselves and with actors in other domains such as the pension arena. Especially the novel perspective proposed on plurality within business may inspire revisiting some long-held conceptions of the roles played by capital and labor in (dis-)embedding capitalism from a neo-Polanyian perspective. Zeroing in on the different functions of foreign ideas in local politics has also raised important questions about the distinct merits of mechanisms like translation and bricolage that may motivate a research agenda exploring the differences between core and peripheral political economies.

The pension-finance nexus provides a particularly rich laboratory for questions of how, why and whether business and finance get their way. Further research on the crucial but still underexplored politics of pension financialization could both delve deeper into the preferences and strategies key actors pursue and broaden the analytical lens by engaging in systematic cross-country comparisons. The findings of the thesis on the *extreme* German case should provide a useful starting point for both directions. Extending the analysis of the pension-finance nexus beyond the 1990s is a particular promising avenue for future research. Two financial crises have challenged the finance capitalism paradigm since the turn of the century. The jury is still out on whether the global financial crisis qualifies as a watershed moment for finance capitalism and neoliberalism in general (e.g. Crouch 2011; Blyth 2013; Mirowski 2013; Schmidt and Thatcher 2013; Baker 2013; Ban 2016). This also holds true for pension financialization: While we see a reversal of pension privatization reforms in various East European countries (e.g. Orenstein 2011; Naczyk and Domonkos 2016; Sokhey 2017), pension systems in the United Kingdom, the Netherlands and Germany have in fact reinforced financialization (Wiß 2019). Probing into the factors underlying these divergent trajectories promises, inter alia, insights about mechanisms of institutional change and continuity as well as the paradigmatic resilience and malleability of finance capitalism.

In this context, the German post-crisis pension-finance nexus makes for an interesting case. As described in papers 2 and 3, insurers and others successfully prevented more financialized pensions prior to the collapse of the *New Economy* in the early 2000s and

the global financial crisis beginning in 2008. Against this backdrop it may be all the more surprising that the 2017 occupational pension reform (*Betriebsrentenstärkungsgesetz*) for the first time introduced actual defined contribution schemes; with the support of insurers (Pross 2017). This step toward pension financialization contrasts with the international acclaim German policymakers won in the immediate aftermath of the financial crisis, in light of the limited losses German capital-funded pensions suffered compared to other countries (Wiß 2015). As one social policymaker recalls: "In 2010/2011 pension policymakers from all over Europe made a pilgrimage to Berlin to learn about ways to protect prefunded pensions from capital market risks" (interview Storm). Prominent pension practitioners even presented German pension ideas as a model worth exporting (Manager Magazin 2010). On the other hand, low yields, especially on government bonds, meant tremendous pressure for insurers' business model and led many to make the case for allowing a higher share of equities in old age savings products. Exploring this post-crisis renegotiation of the pension-finance nexus—caught in the 'double bind' of political fatigue regarding finance capitalism and material pressures stemming from low yields—makes for an important research agenda. After all, Hassel et al. (2019, 496) are presumably right in contending that "[p]ension financialisation and the broader financialisation of the economy are here to stay."

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