Preface

European Economic and Monetary Union (EMU) amounts to more than just an exchange rate mechanism. It substitutes participating currencies with a single currency or, in other words, replaces several decision making authorities by a single one: the European Central Bank (ECB). Participating countries lose control over monetary policy and are no longer able to use exchange rate devaluation for adjusting productivity growth to globally competitive levels. The ECB is charged with maintaining price stability across the European Union (EU). Macroeconomic adjustment in member states will have to be based on greater labour flexibility and that is on the achievement of competitive labour unit costs. Adjustment, in other words, is expected from the European working class through higher labour productivity, wage restraint and ‘neo-liberal’ welfare reforms.

The preparation for the launch of the new European currency, the euro, has helped to justify austerity across Europe. The Maastricht Treaty adopted tough convergence criteria. It laid down both the timetable and a set of targets for convergence in the field of government expenditure, accumulated public debt, limits on inflation, and limits on long-term interest rates. The criteria for convergence towards EMU were strengthened by the Stability Pact which was negotiated in 1996 to overcome German objections to EMU. The German government was concerned that fiscal expansionism especially in the southern European states would make the euro weaker than the German mark. The Stability Pact toughened the convergence criteria and made them a permanent feature of EMU. It empowered the ECB and the Commission to police member states’ fiscal policy; in case of ‘fiscal profligacy’ member states
can be fined. However, the Pact made allowances to exempt by qualified majority vote countries running an excess deficit in cases of compelling evidence of a severe economic downturn.

EMU appears partly defensive in so far as it seeks to protect member states from the risk of floating exchange rates that allow speculative capital to exploit currency differentials. EMU, on this reading, attempts to reduce the vulnerability of the European economy to the whims of short-term globally mobile money capital. At the same time, EMU appears as an offensive device that seeks to make the European working class work harder in the face of deteriorating conditions. EMU encourages greater competitiveness on the basis of disinflation and increased labour productivity. The project of European Monetary Union has, then, to be looked at against the background of the crisis-ridden development of capital accumulation since the late 1960s. It was this crisis that led to the ‘emergence’ of globally footloose money capital and new forms of financial crisis. There is thus, as Carchedi (1997, pp. 102–3) puts it, ‘a clear link between the present still unresolved profitability crisis and this new form of monetary turbulences’, on the one hand, and the project of EMU, on the other.

**Introduction**

Commentators on EMU argue that it is driven by politics rather than economics. Yet, while this claim is made, and rightly so, there is surprisingly little in the literature concerning the politics of EMU. Of course, the political is emphasized in terms of institutional politics and the division of competence between the political institutions at the supranational and national levels; and it is addressed in terms of the so-called democratic deficit, especially the democratic legitimacy of the independent ECB; inter-state bargains and rivalry; and in terms of inter-imperialist rivalry between the EU, the USA and Japan. In short, the conventional view of ‘politics’ prevails and therewith an understanding that the ‘political’ and the ‘economic’ are two distinctly different forms of social organization. Such a view needs to be treated with suspicion. For example, while the economist treats human purposeful activity as a factor of production, the focus of the political scientist falls on the democratic and legal constitution of the social and political rights and duties of the citizen. However, the so-called human factor of production is no less a citizen as a person endowed with equal rights and conversely the citizen is no less a factor of production as a wage-labouring commodity.