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DIALOGUE AND DEBATE: SYMPOSIUM ON STEFAN EICH'S THE CURRENCY OF POLITICS (PART II)

Spectres of European money and Stefan Eich's *Currency of Politics*

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Abstract
This paper aims at discussing the historical trajectory of European money and the way it can be illuminated through a dialogue with Stefan Eich's *The Currency of Politics*. Fleshing out the different theories, visions, and conceptualisations of money in Eich's book, this paper utilises this exposition to evaluate the development and operationalisation of European money. With an eye to contemporary debates about the re-politicisation or democratisation of money, the paper will critically assess the way in which Eich's account can be used as a framework to explain European money.

Keywords: European integration; European money; Stefan Eich; Currency of Politics; depoliticization

1. Introduction

Stefan Eich's *Currency of Politics* is a formidable attempt to explore the haunting topic of the meaning and consequences of money, contextualized in a trajectory of the different ways that money has been understood, mystified, and criticised by central historical figures. Starting from Aristotle and passing through Locke, Fichte, Marx and Keynes, Eich concludes his narrative on different conceptualisations of money with an exposé of the post-Bretton Woods period. The thread that unites Eich's approach consists of zeroing in on money's *political* character as one of its most elementary and yet elusive features. From this perspective, identifying the political essence of money is confronted with historically consistent attempts to *depoliticize* it, a 'sleight of hand' that strips money of the political features and social character which determine its existence and function.

Eich's account is rich in information and historical context, a structure that serves as a bedrock for his attempt to properly ground the history and struggles revolving around the depoliticization/politicisation of money. Exploring the potentiality of re-politicizing (or *democratizing*) money, and critical towards depoliticization, Eich warns however that the concept of *politicization* needs clarification. Even though, as he puts it, 'money's political dimension has become impossible to ignore … our vocabulary for discussing the function and purpose of money is impoverished and inert'[1]

Starting from Aristotle, the question of money as a consequence of a social convention capable of being at once constitutive *and* destructive of a polity introduces its ambiguity and Janus-face nature. One the one hand, the ability of money to establish social relations of *reciprocity* becomes

[1]S Eich, *The Currency of Politics* (Princeton University Press 2022) 2.

central for its positive potentialities, highlighting a shift ' . . . away from divine justice and toward a form of political authority that was more terrestrial, more conventional, more political'[2] Indicating a leap beyond 'tributary gift exchange that had characterized the archaic world . . . abstract forms of monetized redistribution and exchange' enrich social relations while being grounded on 'a more autonomous conception of the individual'.[3] On the other hand, however, the simultaneous function of money as a store of value promotes the accumulation of wealth *for its own sake* and, per Aristotle, ethically immoral and practically unjust relations between community members.

Touching on the affinity between money and law, Eich concludes Aristotle's approach by pointing out that 'like the law, currency can encourage ethical distribution and judgement. But it can also, like the law, be a vehicle of power and exploitation'.[4] This visible contradiction or ambiguity functions as a crucial undercurrent informing Eich's own argumentation: the dual potentiality opens up the possibility of exploring money in its capacity to either subjugate and divide society or to assist in its re-*constitution* and democratisation.

The chapter on Locke is centred around the historical emergence of a conceptualisation of money that underlies contemporary mainstream visions. Recognising the impossibility or implausibility of assigning a naturalized, *intrinsic* value to money, Locke's acknowledgement of its function as a social convention between people highlights both an initial *discretionary* political choice and the necessity of *depoliticization*. In a framework reminiscent of contemporary (neoliberal) accounts of money, Locke promotes a dual move that sees money both 'structured and enforced by the state' and in need of being 'shielded against discretionary political interference'. In Eich's account, Locke becomes the first thinker to exemplify money and monetary policy as the consequence of a *political discretion* that aims to end *all other discretions*.

Fichte's account of (fiat) money is, historically and theoretically, a crucial intervention often left out of theories of money. Grounded on the emergence of fiat money in the 17th century when the Bank of England de-linked the pound from gold, the chapter on Fichte explores the ways in which that experience reinforced [Chartalist] accounts of money as *backed from the state* outside any attempts to 'naturalize' money. At the same time and aiming at the constitution of an 'internally rational state', Fichte embraces and promotes the *liberating* elements of fiat money as opposed to the *constraints* that its link with a metallic commodity brings about. In a discussion inviting a direct comparison to various proposals for an *exit* from the Eurozone common currency framework that took place after the outbreak of the Eurozone crisis in 2010, Fichte becomes a progenitor of national fiat money as the necessary pivot away from the limits and constraints of money in its globalized form and in its parity with a metallic commodity. Conscious of the unavoidable influence that money flows have in a context of international trade, Fichte's account ends with a proposal to shut off external commerce as a prerequisite for the realisation of the full potential of (national) fiat money. Crucially, while Fichte recognises that specie money has acted as a 'protection against suspicious governments',[5] he concludes that a rational state that enjoys the full confidence of its citizens and is constitutionally bound to the common public interest need neither rely on foreign trade nor ground the value of money on a metallic commodity. For Fichte money can indeed be utilized for the promotion of the public good but it can only do so when insulated from external pressures and under the direct control of a benevolent government.

The conflict between depoliticized money and its potential use as a redistributive tool for social justice is further explored in Eich's chapter on Keynes, bringing the debate unto the contemporary terrain. Correcting a common misapprehension of Keynes' theoretical engagements as indicating a choice between 'domestic policy autonomy over internationalism',[6] Eich shows that Keynes

[2]Ibid. 24.
[3]Ibid. 24-5.
[4]Ibid. 41.
[5]Ibid. 97.
[6]Ibid. 141.

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was in fact preoccupied with the dialectic between domestic economic policy and international monetary coordination. Identifying money as a 'public task tied to social justice'[7] but removed from Fichte's identification of international commerce as an obstacle to such a prospect, Keynes opted instead for the development of an international monetary coordination that would avoid the 'shackles' of *orthodox* international monetary regimes (such as the gold standard and its 'fetters') and their prioritisation of powerful, creditor countries. Keynes' interventions in monetary debates or in the design of the post-war Bretton Woods regime are firmly grounded in this approach, allowing Eich to frame Keynes' approach to money as a conscious attempt to correct the persistent and yet avoidable contradictions of the capitalist economy.

Though the chapter on Marx precedes Keynes', it represents something of an outlier in Eich's reconstruction of the theories of, and approaches to, money. This is not because Marx *appears* to downplay the significance of money and/or monetary policy – a reading and a legacy of Marx that Eich skilfully shows to be misleading. Rather, it is based on the realisation that contrary to all other thinkers presented in the book, Marx remains the only one who engages with money and monetary relations from the critical perspective of *abolishing* capitalist relations, of which money is a particular expression. Marx is not only far removed from attempts to protect contract and property from monetary abuse (like Locke or the neoliberals/monetarists of chapter six), but he retains an equal distance from visions of a rational, sovereign control and direction of money *for the purpose of* social justice or the public good (like Fichte or Keynes). Opposed to both the maintenance of the capitalist mode of production and private property *and* to rationalisations that aim to smooth the internal contradictions of the capitalist system, Marx's understanding and *critique* of money stems from a standpoint of opposition to the continuation of a mode of production based on exploitation and class rule.

The final chapter brings us to the contemporary setting which, since the collapse of the Bretton Woods regime that continued to (at least formally) link money to gold, represents a historical novelty that combines Locke's vision of depoliticization with a *fiat* monetary regime. The (in)famous so-called 'monetarist' or 'neoliberal' counter-revolution that begins in the 1970s is closely analysed but what makes Eich's exposition particularly interesting is the discussion of the process through which left or social-democratic approaches (presented here through the work of Jürgen Habermas, Daniel Bell or Michael Walzer) also come to embrace depoliticized money, gradually abandoning any previous approaches that sought to democratize either money or the economy as a whole.

Can Eich's book illuminate our understanding of European money? To address this question, a close look at the very trajectory of European money is pertinent.

2. European money: a money born of crisis

A. The currency reforms of the late 1940s

Following Eich's observation that 'monetary crises … open up historical wormholes',[8] we can trace the beginning of contemporary European money in precisely such an attempt to resolve a crisis. Responding to the instability produced by the reality of money during the war and the consequences of its end, a series of currency reforms opened the space for a *simultaneous* rethinking of a new role for money *and* for a return to its pre-war central functions.

For the European countries that would kickstart the process of integration, as well as those that would end up participating in the future, these currency reforms did not merely balance out the disequilibrium caused by the war and occupation. They also reflected a distinct vision on the role of money and the ways it is to be understood, controlled, and valued. They represented, in short, an understanding of the particular role of money within developed, industrialized, and

[7] Ibid. 143.
[8] Ibid. xiii.

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inter-connected economies preparing themselves for post-war reconstruction within a crisis context, a response that reflected both previous crisis moments and a new international monetary regime.[9]

All across the European continent, the expressed aims of monetary/currency reform concerned the threat of inflationary pressures, an expectation related to either the debasement of most currencies due to occupation and war and/or the inevitable fluctuations that follow the end of the war. This anti-inflationary orientation was not, however, as Gurley very skilfully notes,[10] the only aim, nor was the suppression of inflationary pressures pursued with the same means and goals. In different countries, political and social dynamics were also pivotal in determining the extent, emphasis and prioritisation of anti-inflation goals, as well as any attempts to balance out a restrictive economic and monetary policy against the strong demands for social justice that left-wing and/or working-class parties and organisations could push through in the context of the post-war compromise.

Designing the currency reforms took the form of conducting surveys of surviving assets, liquidity, capital markets (or, usually, their absence), distribution networks and infrastructure and, in some cases, the assets' origins (with an eye to punishing war profiteering or Nazi collaboration). In this context, while some countries utilised the reforms to promote a certain level of wealth redistribution or similar goals such as the equalisation of the burdens of the war/occupation costs,[11] others quickly surpassed such concerns and initiated reforms that aimed at re-introducing pre-war inequalities and property contracts. Thus, while many Eastern European countries under USSR direct control used currency reforms to squeeze private holdings and enterprises, to punish collaborators of the Nazi occupation and to increasing the income of the newly established state socialist authorities, most Western European currency reforms were structured around the re-institution of the pre-war framework of a market-oriented economy and private capital. In Western Germany in particular, the disregard for the role of specific companies or entrepreneurs in the Nazi extermination machine was especially pronounced.

In the western part of Europe, three main aims of the currency reform quickly became dominant: (a) the purported need to reduce holdings in an undermined currency; (b) the termination of goods' hoarding by companies; and (c) the creation of powerful incentives and/or compulsions for workers to return to work. In specific contexts, as Klopstock's account shows, the aim of depriving 'the public of funds with which to purchase in black markets' was also pivotal and inter-related.[12]

In formely Nazi-occupied European countries and in Germany itself, the post-war inflationary pressures corresponded to monetary conditions during the war. On the one hand, the forced conversion of the currency and the subsequent 'expansion of currency and deposits in German-controlled Europe was on a huge scale', an expansion that was 'largely of external origin'.[13]

[9]As Eich notes, his exposé is based on the 'repeated revisiting of prior moments of crisis'. This is true of the reality of monetary thinking and policy. In the late 1940s, the currency/monetary reforms that took place in postwar Europe sought inspiration from the management of *previous* crises after the end of World War I. In this context, the monetary reform in Czechoslovakia in 1919 was 'cited as an example for what has been attempted in Europe in 1944-45' (FH Klopstock, 'Monetary Reform in Liberated Europe' 36 (4) (1946) The American Economic Review, 578, at 579) whereas the Greek monetary reform of 1922 (following the disaster in Minor Asia and the debasement of the currency after 1919), was also seen as serving as a model for the reforms in Finland of 1945 (Ibid.) Contrary to the end of WWI however, where 'monetary stabilization schemes … were put into operation only following a protracted period of currency disturbances and not until inflation had run its course and brought about a depreciation of the established currency units' (Ibid. 579), the currency reforms after the Second World War were primarily 'prophylactic' in nature and pre-emptive in their scope. This pre-emptive set of measures that accompanied the currency reforms corresponded to an understanding of the inflationary pressures as being 'repressed' or 'hidden' behind pre-existing price and wage controls. For a neoliberal account of this, see W Röpke, '"Repressed inflation": the ailment of the modern economy' in *Against the tide*, originally published in 1947 (Henry Regnery, 1969) pp. 111-122.

[10]J G Gurley, 'Excess Liquidity and European Monetary Reforms, 1944-1952' 43 (1) (1953) American Economic Review 76.

[11]Ibid.

[12]Klopstock (n 9) 578.

[13]Ibid. 580.

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The goal was to provide the Nazi war machine with funds, in contrast to maintaining a semblance of normality in the context of a domestic war economy – which was the case inside Germany, the only country (with the exception of the US and Canada) where civilian consumption actually increased during the war. In the occupied countries, in contrast, 'German acquisitions of civilian goods'[14] and the 'physical destruction and the disruptive impact of the war on the civilian economy' was accompanied by rationing and quantitative controls, transforming unspent incomes into 'idle balances'.[15]

Inside Nazi Germany, Nazi price controls and lax wage policies meant that there was a veritable overhang of money and savings at a time when production was diverted towards war needs. From this perspective, the actual gap 'between the income stream and the flow of goods and services available for consumption' was similar across Europe.[16] But the case of Germany illuminates another crucial aspect in relation to monetary considerations: in contrast to the rest of Europe, industrial capacity was largely intact.[17] At the same time, skilled labour power was in abundance, triggered by the arrival of millions of refugees from Eastern Germany as well as soldiers returning from captivity.[18]

In this context and extrapolating from Eich's presentation of Marx's view on money, we can see that the problems faced in the aftermath of World War II were dual. One the one hand, constant capital (machinery, etc.) had survived the war in good condition and was ready to put in use; on the other hand, variable capital (labour) was also widely available. What was missing was a stable medium that could kickstart the process of profitable production, distribution, and accumulation: it was the debasement and uselessness of the Reichsmark that obstructed economic revival. Here the role of money as a necessary mediation for capitalist production was particularly highlighted. The collapse of the trust in existing currency had given birth to a flourishing black market, as well as pushing producers to hoard their products and to engage in what has been described as a 'flight to reliable stores of value' (*Flucht in die Sachwerte*). All together the situation undermined central features of the market economy: not only the flourishing of black-market and barter exchange forms but also, crucially, an 'unreliability of a complex division of labour.' Surpassing this gridlock was a key aim of the currency reform. Echoing Röpke's comments at the Mont Pèlerin first meeting in 1948, Mendershausen would exclaim with some pride: 'it was as if money and markets had been invented afresh as reliable media of the division of labour.'[19] The 1948 West German currency reform was, thus, not simply meant to reduce demand, stop hoarding and force a return to work but also to stabilize the economic situation by re-instating the role and function of stable money as the necessary mediation for a functioning capitalist economy.

The stabilization brought about by the new currency and the measures accompanying it were, however, not enough: the absence of functioning European or international capital markets, of currency or gold reserves and the disruptions of international trade undermined the need for imports. This tremendous balance of payments problem was exposed in 1947, following a particularly bad harvest year, when overall GDP for Europe had a 5 per cent current-account deficit.[20] In this context, post-war European governments were faced with two equally damaging options: either a drastic curtailment of the demand for imports (a path to social unrest) or a sharp

[14]Ibid. 581.

[15]Ibid.

[16]Ibid.

[17]As Jaurusch notes 'the bulk of industry had survived the bombing far better than private homes [. . .] The expansion of the war economy had created new productive capacity [. . .] many factories and plants had been repaired [. . .] so that a remarkable number of machines found in the bombed-out factories still functioned' K Jarausch, *After Hitler: Recivilizing Germans 1945-1995* (Oxford University Press 2006) 82; see also K Tribe, *Strategies of Economic Order: German Economic Discourse 1750-1950* (Cambridge University Press 1995).

[18]'[The] country continued to dispose of the technical skills of engineers, the marketing knowledge of management, and, above all, the manpower of soldiers returning home from captivity [. . .] the large number of refugees and expellees [. . .] added many people willing to work as well as possessing much needed technical skills' (Jarausch (n 17) 82).

[19]H Mendershausen, 'Prices, Money and the Distribution of Goods in Post-war Germany' 39 (3) (1949) The American Economic Review 646, at 646.

[20]B Eichengreen, *Global Imbalances and the Lessons of Bretton Woods* (MIT Press 2007, second edition) 59-60.

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reduction in investment (a path for undermining necessary growth). The way out of the imbalance was provided by the US Marshall Plan and GARIOA funds that, alongside domestic currency reforms, aimed to kickstart the economic process.[21] Having established this framework, the question of organizing a proper international payments' and settlements' system was next.

B. From the European Payments Union to the European Coal and Steel Community

The Marshall Aid program was accompanied by a vision of coordination that was presented, by the US administrators, as a necessity and not merely an ideal. The conditions were a form of integration of Western European economies, a term which at the time translated as 'the abolition of trade barriers based on a system of multilateral payments within the OEEC area'.[22] More specifically, European countries had, among others, to work towards the 'formation of a single large non-restrictive market, capable of large-scale, low-cost production; a substantial measure of coordination of national fiscal and monetary policies; the prevention of inflation; the use of 'necessary exchange rate adjustments, subject to the general supervision of the International Monetary Fund".

The creation of the European Payments Union (EPU) was meant to fulfil these goals. Proposed in 1949 by the US and established in July 1950, the EPU had the explicit aim to provide the payment system for both the replacement of bilateral trade agreements between specific countries *and* the creation of new multilateral ones. Overseen by the Bank of International Settlements (BIS) which acted as its financial agent, the EPU structure was relatively straightforward: rather than maintaining a bilateral clearing of claims and liabilities between the trading partners, offsetting claims were settled every month towards the EPU as a whole using a common unit of account, lending some credence to evaluations that saw something of a bancor imitation. Countries would receive claims or offset liabilities in accordance with a quota equal to 15 per cent of each country's trade share, while at the same time they could access extended credit lines provided by the EPU. While repayment of claims was also sanctioned in either dollars or gold, the multilateralization of trade eventually meant that during its existence less than 75 per cent of settlements were made in either.[23]

Created with an eye to reassure creditors' worries, debtor countries were forced to adjust their repayments under pressure of the EPU managing board. In this context, 'countries whose OEEC-area imports exceeded their exports … could finance the difference through the use of credit granted by the Union. Countries whose exports exceeded their imports in the OEEC area would receive their surplus in part by gold payments from the Union and in part by extending credit to the Union'.[24] But it did also include capital controls to keep currency parities.

[21]A rather under-examined side of US aid organised directly from the military towards West Germany, the GARIOA funds began to be dispersed in 1945 and were initially designed to provide foodstuff to the German population. With the unification of the American and British zone in 1946, however, GARIOA funds were re-directed towards 'raw materials for industrial recovery'. See G Hardach, 'The Marshall Plan in Germany 1948-1952' 16 (3) (1987) Journal of European Economic History, 433, at 436. As Berger and Ritschl note, the total dispersed GARIOA funds ($1.793 million) were higher than the total ERP (Marshall Plan) funds ($1.678 million) (H Berger and A Ritschl, 'Germany and the Political Economy of the Marshall Plan, 1947: 1952: A Re-Revisionist View', in B Eichengreen (ed.) *Europe's Post-War Recovery* (Cambridge University Press 1994) 6).

[22]KF Flexner, 'The Creation of the European Payments' Union: An Example of International Compromise' 72:2 (1957) Political Science Quarterly, 241 at 242.

[23]Though, as Eichengreen & de Macedo note, dollar balances in EPU countries as a whole more than doubled in this period. See B Eichengreen and JB de Macedo (2001) 'The European Payments Union: History and Implications for the Evolution of the International Financial Architecture', OECD Development Centre 2001, available at <http://www.jbmacedo.com/oecd/triffin.html> accessed September 24th 2023.

[24]Flexner (n 22) 243. At the same time as receiving more gold due to their surpluses, creditor countries also benefited from the preconditions to enter the EPU, i.e., the liberalization of trade and the dismantling of restrictions. Starting at a low level, trade barriers were to be eventually reduced by more than 75 per cent in relation to their starting point. As Gillingham observes, the EPU 'built in stronger disincentives to running a deficit than it provided incentives to building up a surplus'. Cf. J Gillingham *European Integration 1950-2003: Superstate or New Market Economy*, (Cambridge University Press 2003) 39.

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A crucial but often ignored reason why the EPU system was successful prolonged wage moderation accepted by an organised working class, visible in an agreement to direct productivity gains towards investments rather than higher wages.[25] On their part, companies raised their investment rates, reduced dividend pay-outs and re-invested profits. By 1953, the success of the EPU kick-started discussions about its supersession or replacement by a wider plan that could formalize its characteristics and persist even when convertibility had been achieved. Lastly, the EPU system was structurally framed to discourage currency devaluations as these would worsen trade share and reduce each country's quota and available credit. The consequence was, however, the creation of a form of import tariffs against non-EPU countries, most notably the United States. But the goal of the EPU was to temporarily delay the process of reaching full convertibility which would have, at that time, reduced income in a way that would threaten the social consensus reached with organized labour. To further overcome hesitation, Eichengreen and de Macedo add, non-wage compensation was guaranteed by the western European states.[26] The EPU ended in December 1958, when full convertibility on the basis of the Bretton Woods Agreement was feasible and the Rome Treaty had been signed. As a first attempt to centralize payments between European countries, the EPU also represented a first direct step towards the creation of the European common market.

The second step in the long path of European integration came in the form of the European Coal and Steel Community (ECSC). Representing an agreement between six countries (Belgium, France, Luxembourg, Italy, the Netherlands, and West Germany), the aim was to promote the further integration of two strategically crucial industries, the conflicts around which were seen as a driving force behind disequilibrium.[27]

The background of the ECSC was a proposal drafted in 1946-1947, known as the Monnet Plan. While at its epicentre stood a certain embrace of planning and a special position for France as the key post-war European arbiter, such an approach did not reflect the view of either Germany, the US or the other Member States. Nonetheless, it placed priority on heavy industry and reflected attempts to combine modernization and stabilization through an 'economic expansion [meant] to increase total resources'.[28]

Drawn up to 'save the Monnet Plan' from its ostensibly French bias,[29] the eventual details of the ECSC were laid out in the Schuman Plan. This included 'a coordinated link in the successful modernization and transformation of the French steel industry'[30] while also catering for German industry and the resources and trade needs of the remaining Member States. At the same time, the treaty establishing the ECSC, signed in Paris in 1951, 'introduced some of the basic features that have marked European integration since … a supranational High Authority, a Council of Ministers, a Parliament, a Court of Justice and a single European market for coal and steel'.[31] As Mourlon-Druol puts it, both the ECSC and the Schuman Plan 'marked the first implementation in Europe of the supranational method.'[32] From a monetary perspective, the

[25]Eichengreen and de Macedo (n 23). In the Netherlands, for example, labour unions explicitly agreed that the fruit of all productivity increases in the first half of the 1950s should be used to finance investment. In Germany, significant wage restraint was observed by trade unions throughout the 1950s. In Austria, German-style wage moderation and investment were secured through consultation between representatives of labour, management, and government. Even in Britain, not renowned for labour-management harmony, the Trade Union Congress cooperated with management and with the Conservative governments that ruled from 1951 by moderating wage demands.

[26]Eichengreen and de Macedo (n 23).

[27]A Cairncross, H Giersch, A Lamfalussy, G Petrilli and P Uri, *Economic Policy for the European Community: The Way Forward* (Palgrave Macmillan 1974) 3.

[28]I M Wall, 'Jean Monnet, the United States and the French Economic Plan' in D Brinkley and C Hackett, *Jean Monnet: the Path to European Unity* (St. Martin's Press 1991) 86, at 96.

[29]A Milward, *The Reconstruction of Western Europe 1945-1951* (Methuen 1984) 365.

[30]Wall (n 28) 102.

[31]E Mourlon-Druol, 'Rethinking Franco-German Relations: a historical perspective', Bruegel, Issue no. 29, November 2017, available <https://www.bruegel.org/sites/default/files/wp_attachments/PC-29-2017.pdf> accessed September 24th 2023, at 5.

[32]Ibid.

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ECSC functioned under the broader umbrella of the established EPU, which continued its operations until full convertibility (namely: the operationalisation of the Bretton Woods monetary regime) was reached in 1958, shortly after the signing of the Rome Treaty.

C. From the Rome Treaty to the Werner Report

The Rome Treaty reflected a continuity and an update of previous arrangements (such as the EPU or the ECSC). Its central aim was to re-establish trade relations in a way that would benefit all signatory Member States: for France, the goal was to re-assert its importance in Europe and vis-à-vis Germany; for smaller, trade-dependent nations such as the Netherlands, it concerned the further expansion of their commercial activities and improved deals for their imports from West Germany; for the Federal Republic it reflected both the desire to facilitate the already expanding dynamism of its export sector and the need for political recognition and equality after World War II. These combined aims were then formulated through the ideological conviction that better trade arrangements would minimize the prospect of another war like the one that had ended almost ten years before. A final hope of achieving gradual independence from American aid and American imports – a goal shared at the time by the United States – giving Europe a stronger international standing was also significant. From the perspective of monetary policy, the Rome Treaty did not really touch on questions of European money relying on the Bretton Woods regime. Nonetheless, this reality did not stop first president of the European Commission Walter Hallstein from writing in 1972 that 'every reliable and recognized interpretation of the Treaty of Rome leaves no doubt on the point that the co-ordination of economic policy rightly includes co-ordination of monetary policy'.[33] His justification for this is worth quoting in full:

> . . . in a free-market economy such as that of the European Economic Community, monetary policy is one of the main methods by which the economic process as a whole can be guided and controlled. The way in which the economy works depends to a large, not to say decisive, extent on the creation of money; on the amount of money in circulation; on the value of money both internal national and in external terms in respect to foreign currencies; and on the movements of money. This involves not merely technicalities like payments, or the foreign exchange, or capital markets. It is a matter that touches virtually every aspect of *politics*: taxation and budget policy; measures to control the trade cycle; economic growth; and foreign as well as internal policy as well.[34]

Leaving aside Hallstein's projection of his contemporaneous concerns to the past, the Rome Treaty represented what Tuori and Tuori have aptly described as a 'micro-economic' constitution,[35] that is, an economic constitution focused on regulating 'the behaviour of individual economic actors [with] cross-border implications'.[36] The centrality of the four freedoms and the focus on trade and, consequently, competition law, were always mediated by a specific vision of money and of the various attempts to ensure its stability.

In this context, the primacy of price stability and of the price mechanism were considered as given goals to be followed by Member States, whose national constitutional law would ensure both such constitutive principles and their underlying framework of private property, freedom of contract and trade. But strict monetary questions were still, at the time, delegated behind the

[33]Hallstein, *Europe in the making* (George Allen & Unwin, 1972) 124.

[34]Ibid 124-5 (my emphasis).

[35]K Tuori and K Tuori, *The Eurozone Crisis: A Constitutional Analysis* (Cambridge University Press 2014).

[36]H von der Groeben, *The European Community. The Formative Years: The struggle to establish the Common Market and the Political Union 1958-1966* (Office for Official Publications of the European Communities 1987) 16.

'assumption of a smoothly functioning monetary system'[37] as set up by the Bretton Woods agreement.

For this reason, monetary concerns were practically confined to questions of exchange rate coordination, supervision of international and intra-European payments and settlements, and (relatively weak) attempts to coordinate Member States' monetary policies. The degree of discretionary space afforded by this arrangement did mean, however, that a series of committees were established in this period to somehow supervise monetary issues (such as the Monetary Committee and the Standing Committee of Governors of Central Banks). Nonetheless, as the European Commission would admit in 1967, the 'appreciable differences in monetary and fiscal policies' of Member States 'could not be reconciled'.[38] Not coincidentally, when visible signs of the dysfunctionality of the Bretton Woods agreement began to surface in the late 1960s, the necessity of an institutional re-ordering of monetary questions in a way that would make this 'coordination' (a concept that can be translated as a euphemism for limiting discretionary choices) stronger emerged. The effects of the 'dollar crisis and world-wide inflation, *combined with people's rising demands*'[39] accelerated the need to push forward the disciplinary effects of monetary depoliticization. In 1972, Walter Hallstein[40] would not hesitate to write that monetary policy, which 'means politics in its full and true sense', 'is the touchstone of the Community'.[41]

D. The Werner Report and the collapse of Bretton Woods

The 1970 Werner Report represents the most advanced consideration of European monetary integration since the end of World War II. Drafted in the context of a visibly faltering Bretton Woods regime and prompted by the necessity of developing a European blueprint of what could follow from the demise of this monetary arrangement, the Werner Report put monetary integration in the foreground. Developed at a time where the neoliberal/monetarist direction had not yet become dominant, it contained competing elements of monetary visions. Nonetheless, the head of the committee that drafted the Werner Report can give us a better insight into its predominant views of money.

Pierre Werner, Minister of State, President of Luxembourg and Finance Minister, had already delivered a speech in November 1960 titled 'The meanings of monetary integration'.[42] Drawing from the experiences of Benelux relations, Werner pointed out that 'economic cooperation and integration are more directly achieved through the use of the monetary instrument'. But he also added that 'the adoption of a single currency occurs at the end rather than the beginning of the process of integration'. In his view, the rapprochement of economic policies takes precedence. As if responding to the previous criticisms of a 'closed bloc' that establishes integration within but maintains (if not strengthens) protectionism with the outside, Werner argued that 'a common market among sovereign countries presupposes not only a financial order within the community but a financial order on a wider international, continental or global scale'.

[37] Ibid 208.

[38] European Economic Community Commission, *Ninth General Report of the Activities of the Community 1 April 1965 – 31 March 1966,* June 1966, point 125.

[39] von der Groeben (n 36) 210 my emphasis.

[40] Often described as an 'avowed ordoliberal' (see C Joerges, 'What Is Left of the European Economic Constitution II? From Pyrrhic Victory to Cannae Defeat', in P Kjaer & N Olsen (eds.) *Critical Theories of Crisis in Europe: From Weimar to the Euro* (Rowman & Littlefield 2016) 147) Hallstein was appointed by Erhard as president of the German delegation during the Schuman Plan negotiations. Later, as President of the European Commission, he would create the DG IV department responsible for drafting EEC competition policy and appoint other ordoliberals such as von der Groeben and Mestmäcker in key positions.

[41] Hallstein (n 33) 124.

[42] P Werner, 'Significations d'une intégration monétaire' 16 (15) (1960) *Bulletin de documentation*, (Service Information et Presse, ministère d'État, Grand-Duché de Luxembourg) 3.

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A keen student of monetary and financial integration questions, Werner was influenced by Jacques Rueff, under whom he had studied in Paris.[43] For this reason, his vision of a European unit of account was meant to be pegged directly to gold (rather than the dollar). His primary focus was undermining the fluctuations that resulted from devaluations and revaluations of national currencies (in other words, discretionary political interference) and the ways these obstructed financial exchanges and trade. While this European unit of account would, at first, only be utilized in trade exchanges between member countries, Werner was hoping that it could gradually also be privately used in order 'to accustom people, little by little, to this collective currency'.[44] Werner drew inspiration from the EPU and its dollar-equivalent unit of account (Epunit), but he also acknowledged some affinity with Keynes' *bancor*, visible in his proposals for this EU currency's name: Euror, Goldeur or Gramor.

Though not a member of Monnet's *Action Committee for a United States of Europe*, Werner remained close to the group's work and had deeply familiarized himself with the common monetary aspects of the committee. More specifically, Werner was fully aware that a prospect of a common European monetary policy was already visible in the Rome Treaty. That was, in any case, what many understood as the implication behind Art. 107 of the Rome Treaty that urged Member States to treat exchange rates as a matter of 'common interest' and, perhaps even more forcibly, in Art. 207 which stated that the Community budget 'shall be drawn up in the unit of account determined in accordance with the provisions of the regulations made pursuant to Art. 209.' No mention of a common currency was included at the time, but it is far from outlandish to interpret the fact that the deposits of Member States' financial contributions retaining a fixed value corresponding to a fixed parity was a step in that direction. The existence of the Bretton Woods system was, as already argued, seen as sufficient in establishing an externally anchored monetary stability, capable of side-lining concerns about monetary sovereignty that countries like France had stressed at the time.[45]

Werner was also closely following the work of the European Committee of Governors of Central banks, meant to coordinate monetary policy across EEC Member States, as well as the Budgetary Policy Committee and the Medium Term Economic Policy Committee. This engagement made him aware of the various forms of opposition to monetary integration, especially those expressed by then Bundesbank president, Karl Blessing, who saw the prospect of monetary integration and a common currency only feasible after the creation of a European federal state, a position shared by most Member States' representatives at the time. But Werner did, nonetheless, see a potential of proceeding with monetary integration through the establishment of fixed exchange rates and common monetary discipline under the auspices of a specific institutional framework.

Until the mid-1960s, none of Werner's ideas received any practical consideration on behalf of European functionaries and officials. But with the gradual understanding of the limits of Bretton Woods and in anticipation of the fact that the system might implode, serious discussions about further monetary integration (and the prospect of a common currency) accelerated. It is thus no coincidence that the Committee of Governors of Central Banks was created in 1964 (its first meeting hosted by the BIS in Basel) or that the European Council decided, in May 1964, to increase the cooperation between Member States in the field of international monetary relations.

In a certain way, such discussions were synchronous with de Gaulle's open criticism of Bretton Woods and the dollar's hegemonic role, accelerating discussions around a European monetary alternative. At the same time, however, they were also somewhat hindered by the insistence on retaining national monetary and economic independence. A move towards a supranational

[43]K Dyson, *Conservative liberalism, Ordoliberalism and the State* (Oxford University Press 2021) at n 42.

[44]Werner (n 42).

[45]Also relevant to this discussion was the setting up of a European unit of account concerning farm prices in 1962. See also Hallstein (n 33).

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institutional framework that would include economic and monetary policy was strongly resisted.[46]

In many ways, Werner believed that while a common currency was still premature in the late 1960s, increased monetary discipline was already possible. But it would only be made realistic through the increased destabilisation generated by Bretton Woods and the common desire among European countries' officials to protect European trade and its economies from the turbulence. Speaking alongside Monnet and Hallstein in January 1968, Werner stressed the need for closer monetary cooperation and discipline in the face of a destabilising international context, adding comments about the deregulation of capital flows and the Eurodollar market. In the same year, he argued for the need to ensure economic policy coordination in order to supplement monetary discipline. 'Monetary solidarity', he noted,

> will only be established laboriously in line with the strengthening of economic policy, and is dependent on it. On the other hand, the establishment of legal procedures and instruments directed towards a common monetary policy will be a powerful lever for bringing national economies closer together.'[47]

The final Werner Report was presented in October 1970, and it described the process of monetary integration as a three-stage plan to be achieved within a decade.[48] The underlying aim, as described in the draft minutes, was to 'bring into being an area within which goods, services, people and capital would move freely while monetary transactions carried out by businesses would not be hindered in any way or exposed to exchange rate risks'.[49] In the first stage, lasting three years, exchange rate parity would be enforced with clear guidelines for economic and budgetary *coordination*. The second stage would consist of a further reduction of exchange rate variability and price divergences, while the final stage would see an irreversible fixing of exchange rates, the removal of all capital controls and a European central bank system, loosely related to the Federal Reserve, that would assume control of European monetary policy.[50] Its final objective was formulated by stating that 'a monetary union implies inside its boundaries the total and irreversible convertibility of currencies, the elimination of margins of fluctuation in exchange rates, the irrevocable fixing of parity rates and the complete liberation of movements of capital'. [51]

The content of the discussions and negotiations inside the Werner committee have often been interpreted as reflecting two diverging outlooks, retrospectively described as the 'economist' and the 'monetarist' positions.[52] The 'economist' viewpoint represented the approach that a monetary union could only be the *end result* of a long process of economic convergence. The 'monetarist' position (unrelated to the monetarism of Milton Friedman and Karl Brunner) represented the view that European integration should proceed by prioritising monetary union which would then *force* economic convergence. Underlying these differences, however, was simply a different

[46]Werner would be a central figure in trying to balance these conflicting perspectives and he acted decisively to end the 'empty chair' crisis initiated by France by devising the 'Luxembourg Compromise'. See P Roufos, 'Ordoliberalism and the Making of the Economic Constitution: State, Law, and Money in the Market Economy' (University of Kassel 2022) 285-9.

[47]P Werner (1968) 'Address given in Rotterdam by Pierre Werner, President of the Government, Minister for the Treasury, at the meeting of the Council of Finance Ministers of the EEC' in 24 (8) (1968) *Bulletin de documentation*, (Service Information et Presse, ministère d'État, Grand-Duché de Luxembourg) 5.

[48]D Marsh, *The Euro: The Battle for the New Global Currency* (Yale University Press 2009) 60-61.

[49]Draft minutes of the first meeting of the ad hoc 'plan by stages' group, 20 March 1970, European Communities, secretariat of the 'plan by stages' group, Brussels, 31 March 1970, ORII/22/70-F. In the Pierre Werner family archives, ref. PW 048.

[50]B Eichengreen, 'European Monetary Unification', 31 (1993) Journal of Economic Literature, 1321 at 1323.

[51]'Report to the Council and the Commission on the realisation by stages of Economic and Monetary Union in the Community ("Werner Report") (1970) Bulletin of the European Communities, Supplement 11, available at <http://aei.pitt.edu/1002/> accessed September 24th 2023.

[52]ER Danescu, 'Economists vs monetarists – agreements and clashes in the drafting of the Werner Report', (Centre virtuel de la connaissance sur l'Europe, 2012), available at <https://www.cvce.eu/en/recherche/unit-content/-/unit/ba6ac883-7a80-470c-9baa-8f95b8372811/a4e36d83-8db9-4abc-bd0d-8e05235239c7> accessed September 24th 2023.

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emphasis on the way to achieve the same result: the 'economist' view saw monetary integration as resulting from a process of convergence, fearful of the potential that national politics would take advantage of the benefits of monetary unification to avoid aligning their economic coordinates. From this perspective, potential Member States had to ensure that opening markets and liberalising capital movements would occur under conditions of readiness to absorb shocks, shared economic values and embedding a *Stabilitätskultur* in countries that showed no inclinations towards it. The 'monetarist' view, in contrast, saw monetary unification as a *precondition* for establishing fiscal discipline, utilizing the monetary union as an *external constraint* that would ensure that Member States would be forced to align their economic, fiscal and trade policies.[53]

While triggered by the looming dysfunctionality of Bretton Woods, the proposals of the Werner Report were ironically enough over-shadowed by its actual collapse, the *ersatz* shift towards floating exchange rates and the various mechanisms of exchange rate stabilisation – like the short-lived Smithsonian Agreement or the short-lived Snake system that focused on European currencies[54]. While both mechanisms were geared towards exchange rate stability, adopting different fluctuation margins, they would soon prove unsatisfactory for most Member States.[55]

The failure of the Werner Report to produce any commitment and the developments connected with the collapse of Bretton Woods alongside the explosion of social antagonism across the world put a parenthesis on the question of monetary integration. Before these were revived in a way that pointed to a continuity with the key coordinates of the Werner Report, further political developments momentarily diverted the outlook of monetary integration. In this context and concomitant with a last attempt to resolve the crisis by doubling down on Keynesian positions, the McDougall Report for monetary integration of 1977 emphasized the question of centralizing EU member state budgets in a federal budget and assigning a five (5) per cent common fund to support the creation of the single currency.[56] The underlying aim was to establish a 'counter-cyclical redistribution scheme at the Community level',[57] a plan that was swiftly thrown into the dustbin by the time the fiscal conservative coalition re-animated monetary integration discussions.

The collapse of Bretton Woods was, in many ways, chiefly responsible for (temporarily) freezing discussions of monetary integration in Europe. But when these debates re-started and morphed into specific plans, it can be said that instead of simply introducing a new conceptualisation of money, they were in fact firmly grounded on the forceful rehabilitation of the *politics* of depoliticization and sound money. In this specific context, while Eich's account that the collapse of Bretton Woods kicked off 'nothing less than a revolution in the modern monetary constitution',[58] it is perhaps also worthwhile to entertain the idea that instead of a 'revolution', the post-Bretton Woods landscape represented a *return*

[53]In a plan published some years after the Werner Report, Raymond Barre would conceptualize European integration as a process of domestic stabilization and international competitiveness through the use of exchange rate convergence as a form of 'external discipline', adding the importance of balanced budgets, wage moderation and targeting of the money supply as the means to arrive there. In his role as European Commissioner for economic and financial affairs, Barre shared many ordoliberal concerns such as establishing European institutions as external anchors pushing 'painful fiscal consolidation [. . .] macro-economic convergence based on low inflation; exchange-rate targeting to reinforce domestic efforts to bring down inflation; and capital liberalization.' D Howarth, 'Raymond Barre: Modernizing France Through European Monetary Cooperation' in K Dyson and I Maes (eds.) *Architects of the Euro: Intellectuals in the Making of the European Monetary Union* (Oxford University Press 2016) 75.

[54]The Smithsonian Agreement was initiated by the US and was meant to create a path for a new dollar standard. The agreement saw an 8.5 per cent devaluation of the dollar (bringing the parity with gold at $38 dollars per ounce). The wider exchange rate bands established by the Smithsonian opened the space for speculative pressures, the intervention against which led to increasing dollar reserves and, therefore, inflationary pressures. In the Snake arrangement, EEC currencies were allowed to fluctuate within a band of 2.25 per cent.

[55]Already in 1974, 'only five EEC member states out of nine belonged to the snake (Belgium, Denmark, Germany, Luxembourg and the Netherlands)' See Mourlon-Druol 2017 (n 31) 5.

[56]J Pisani-Ferry 'Only One Bed for Two Dreams: A critical Retrospective on the Debate over the Economic Governance of the Euro Area' 44 (4) (2006) Journal of Common Market Studies 823, 825.

[57]N Jabko. *Playing the Market: A Political Strategy for Uniting Europe 1985-2005* (Cornell University Press 2006) 130-1.

[58]Eich (n 1) 179.

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to the dominance of monetary depoliticization, as it was first described by Locke and as it was operationalized during the gold standard era. From this perspective, the post-Bretton Woods era of European integration might well be conceived as a *resurgence*. In more ways than one, in fact, such a view coincides with neoliberal conceptualisations of the process of integration which ordoliberals like Wilhelm Röpke had consistently translated through the original Latin meaning of the concept of *integratio*: namely, the 'restoration of something lost'.[59]

E. From the European Monetary System to the European Monetary Union

Following the initiative of Valerie d'Estaing and Helmut Schmidt in 1978, the European Monetary System (EMS) was designed to overcome the fault lines of the Snake agreement. With an overall aim of 'stabilising intra-European currency fluctuations, strengthening Europe's weight internationally in currency terms and providing a symbol of European unity',[60] the EMS also introduced the European Currency Unit (ECU), a composite accounting unit anchored around the German mark.[61] Bringing together four more currencies (those of Greece, Spain, Britain and Portugal), the EMS reflected an attempt to put into practice the vision of convergence of EU currencies in the direction of a political economy of price stability, low inflation and stable growth rates.

Despite its better performance in relation to the Snake, the EMS also tolerated a certain level of exchange rate flexibility (especially in the early period between 1978 and 1982), often managed with through currency devaluations. As the Bundesbank would complain, this discretionary space that allowed differences in balance of payments, interest rates, growth, employment and public sector indebtedness forbid further integration. In such a context, 'inflation stimuli [were] automatically transmitted to countries with greater price stability'.[62] 'The objective of greater stability both domestically and externally', the Bundesbank report concluded, 'will only be achieved if countries with higher rates of inflation continue the restrictive policy stance they have adopted'.[63] There was little doubt that this was a direct reference to the austerity policies adopted by France and Italy since the mid-1970s, structured around a macroeconomic reorientation towards money supply control, restrictive budget policies and stable money.[64]

The culmination of this process would become transparent in the infamous 'capitulation' of the Mitterrand government in 1981-1983: on this occasion, remaining in the EMS was predicated on the abandonment of fiscally expansionary policies and the adoption of an austerity package that was advocated as the only option for reversing the capital flight which had already began after the Volcker shock. The exact same situation would be repeated during the Eurozone crisis, this time around within the framework of a common currency that pre-emptively excluded any devaluation. And while German intransigence has often been used as an explanatory device for the French volte-face, such an approach undermines the significance of a domestic alliance *within* the *Parti Socialiste* led by Jacques Delors which was committed to introducing a program of competitive disinflation.[65]

[59]Q Slobodian, *Globalists: The End of Empire and the Birth of Neoliberalism* (Harvard University Press 2018) 186.

[60]Mourlon-Druol (n 31) 6.

[61]As Emminger noted, the EMS created 'a 'zone of relative monetary stability' for almost half of German exports', in J Germann, *Unwitting Architect: German Primacy and the Origins of Neoliberalism* (Stanford University Press 2021) 133.

[62]Bundesbank, *Report of the Deutsche Bundesbank for the Year 1980*, available at <https://www.bundesbank.de/resource/blob/702898/1c94ed87f22a40187fc7adefda70e6d8/mL/1980-annual-report-data.pdf> accessed September 24th 2023, 61.

[63]Ibid.

[64]In 1976, French President of the Republic Giscard d'Estaing and his Prime Minister Raymond Barres rejected Chirac's attempts towards expansion and initiated a wide program of austerity reforms (Howarth 2016). Similar policies would be adopted in Italy which was undergoing a period of instability triggered by the combined effects of the oil crisis, a militant working class and radical social movements. While initially trying to manage the consequences of this predicament crisis through reflationary policies, an appeal to the IMF in 1974 reversed the orientation. From that moment onwards, monetary tightening would be predominant. See also Roufos (n 46) 292-293.

[65]See also B Amable and S Palombarini, *The Last Neoliberal: Macron and the Origins of France's Political Crisis* (Verso Books 2021).

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In fact, and not coincidentally, the acceleration of the conceptualisation and implementation of a European common currency under such a macroeconomic paradigm was developed inside the Delors Committee, a group of central bankers and monetary experts who met in order to flesh out the structure of further monetary integration.[66] Its chief architect Delors would initiate the discussions of the committee by sending a list of questions that were to dominate their deliberations. As Verdun informs us,[67]

> this list included questions about whether a common parallel or a single currency was necessary; whether a European Fund or a European Central Bank would need to be created and, if the latter was preferred, what its statutes would be; what transition stages would look like; the connection between 'economic' and 'monetary' union; the necessary macroeconomic conditions to enable successful EMU, and, finally, what institutional changes would be required to create EMU

This shift towards relying on monetary experts, in contrast to a composition of foreign and economic ministers, competition lawyers and politicians of a primarily Christian-democratic persuasion,[68] had already been initiated in the Werner Commission.[69] But it was also synchronous to what Dyson and his co-authors have described as '*structural changes* in the nature and structure of capitalism, notable the relationship between EC states and global financial markets and the phenomenon of inflation'.[70] In that context, the necessity of establishing monetary integration around an independent central bank was only a logical conclusion.[71]

If the prospect of a monetary union was already latent in the Rome Treaty and the fusion of national economies were to be achieved through an eventual tighter coordination of economic and monetary policies, debates from the 1970s onwards were not simply concerned with realising this potential but with 'correcting' previous inadequacies. Moving beyond a restriction of monetary affairs to questions of balance of payments (as set out in Article 104 of the Treaty of Rome) [72], the eventual architecture of the EMU would also reflect the post-1970s/1980s abandonment of the official preoccupation with *both* inflation and employment. Similarly, the provision of 'mutual

[66]'The European Council decided that the Committee chaired by President Delors would consist of the twelve central bank Presidents or Governors, 'one other member of the Commission' – Frans Andriessen, DG I – and 'three personalities designated by common agreement by the Heads of State or Government ... Alexandre Lamfalussy, then the General Manager of the Bank for International Settlements (BIS), Niels Thygesen, a professor of economics, and Miguel Boyer, president of the Banco Exterior de España'. Conclusions of the European Council in Hanover (27–28 June 1988), in A Verdun, 'The Role of the Delors Committee in the Creation of the EMU: An Epistemic Community?' 6 (2) (1999) Journal of European Public Policy, 308, at 317-8.

[67]Verdun (n 66) 318.

[68]W Kaiser, *Christian Democracy and the Origins of the European Union* (Cambridge University Press 2007).

[69]See GG Rosenthal, *The Men Behind the Decisions: Cases in European Policy-Making* (Lexington Books 1975); Verdun (n 66). As Werner himself would note in a 1989 text, 'there is no fundamental difference between the Delors and Werner Reports as regards doctrine and method ... The Delors Report more often quotes the Werner Report as regards the prerequisites for a complete union, that is to say the full and irreversible convertibility of the currencies, the abolition of the margins of fluctuation between currencies, the irrevocable fixing of exchange rates and the complete liberalisation of capital movements'. Delors would reciprocate in 1992, arguing that 'the overall philosophy behind what we proposed and even the structure of the Delors Report were very heavily influenced by the Werner Report ... The Delors Committee's report is a direct follow-on from the Werner Committee's report'. Both quoted in ER Danescu, 'The Werner Report and the Delors Report', available at <http://www.cvce.eu/obj/the_werner_report_and_the_delors_report-en-72dae01a-6f2f-4b00-8caa-ba66db14dcac.html> accessed September 24th 2023.

[70]K Dyson, K Featherstone and G Michalopoulos, 'Strapped to the mast: EC central bankers between global financial markets and regional integration' 2:3 (1995) Journal of European Public Policy 465, at 484.

[71]Ibid.

[72]Art. 104: 'Each Member State shall pursue the economic policy needed to ensure the equilibrium of its overall balance of payments and to maintain confidence in its currency, while taking care to ensure a high level of employment and a stable level of prices'.

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assistance' to Member States that run into 'balance of payments' difficulties (Art. 108) would be replaced with the 'no bailout clause' (Art. 125 TFEU).[73]

Finally, influenced by the experience of the EMS but eager to 'correct' its mistakes (or, in other words, the discretionary space that it still allowed in economic and monetary decisions), EMU would emerge as a *macroeconomic* constitution whose monetary architecture reflected the historical trajectory that Eich describes under the framework of *depoliticization*. Prioritising price stability defined via a low inflation target and ignoring the usual addition of a dual mandate that also dealt with employment issues, EMU reflected a conceptualisation of money as described in Eich's last chapter. Redrawing the long-sought separation of economic (fiscal) and monetary policy and, especially for the latter, its unequivocal insulation from executive, democratic or social pressure, EMU constitutionalized this very separation: monetary policy within the common currency would be regulated outside any member state control and fiscal policy, while nominally in the hands of Member States, would be subjected to strict surveillance and disciplinary mechanisms inscribed in the Maastricht Treaty and later supplemented by the Stability and Growth Pact (SGP) and, more recently, the Fiscal Compact of 2012.[74]

3. European money vis-à-vis Eich's *Currency of Politics*

As Eich notes, Aristotle's own 'theoretical construction of a virtuous society around the idea of reciprocal justice' posits 'three mechanisms of social integration (law, money and public discourse)' (as pointed by Losada in the first part of this symposium).[75] The first two of these coordinates are directly visible: European integration represents a process often described as 'integration through law' coupled with visions of monetary integration. One could not claim the same, however, about the significance of 'public discourse'. As Losada notes, European integration represented a top-down justification of unification through market integration rather than a case of political/democratic deliberation. 'Europe's new money', Losada concludes, was structurally 'detached from any political feature that is, as Eich demonstrates, by definition an intrinsic element of the nature of money.'

Far from the Aristotelean vision of the positive potentials of money through public discourse and reciprocity, European integration is embedded in a consistently expanded Lockean vision of *depoliticising* money and insulating it from discretionary political control. If there is any diversion from Locke's approach, this concerns his (historically obsolete) insistence on linking money to a metallic commodity. In contrast to a commodity standard regime, the constitution of European money took place under a *fiat* system where the measurement of the value and stability of the currency is a matter of theoretical definition and of a legal mandate imposed by a profoundly independent institution (the ECB),[76] the monetary decisions of which are further insulated from external pressures via its constitutional guardian, the ECJ.

[73]Art. 125 TFEU states that 'The Union shall not be liable for or assume the commitments of central governments, regional, local or other public authorities, other bodies governed by public law, or public undertakings of any Member State, without prejudice to mutual financial guarantees for the joint execution of a specific project. A Member State shall not be liable for or assume the commitments of central governments, regional, local or other public authorities, other bodies governed by public law, or public undertakings of another Member State, without prejudice to mutual financial guarantees for the joint execution of a specific project.'

[74]The effectiveness of such a fiscal disciplinary mechanism would, of course, be shaken with the outbreak of the Eurozone crisis but this does not change the fact that the architecture of the EMU, which is the topic of this paper, was animated by the desire to prohibit such divergence.

[75]F Losada, 'Towards a constitutional theory of money: Opening Europe's money up to public discourse' 1 (4) (2022) European Law Open 1025.

[76]If central bank independence is meant to allow central bankers to design and conduct monetary policy without governmental interference, the EMU institutional architecture does not, as van der Sluis (M Van der Sluis, *In Law We Trust: The Role of EU Constitutional Law in European Monetary Integration* (European University Institute 2017)) has noted, even have an equivalent political institution from which the ECB can be independent from.

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This framework of fiat money could, potentially, invite a comparison with Fichte's embrace of such a monetary regime. But historical developments have indicated that from the specific perspective of money as a *political* relation, the differences between the gold standard and fiat money are overshadowed by certain similarities: both presuppose an initial, state-led *discretionary* act (establishing a gold parity or state-backed fiat money) which is then operationalized to prohibit *all further discretions*. As Fichte had also understood, fiat money does not represent a debasement of money but an acknowledgment of a new role for the modern state. But in contrast to Fichte, who saw the positive potentials of fiat money as dependent on the closing off of external commerce, the process of European integration from its early days to the moment of transition into the post-Bretton Woods fiat regime has been premised on the continuity of international trade expansion and on the (monetary or not) consequences that this entails.

If early integration was embedded on a post-war compromise that included certain Keynesian sensitivities (such as provisions for mutual assistance during balance of payments disparities or embedding concerns about employment in economic/monetary mandates), the trajectory of European money is nonetheless primarily characterised by a gradual and yet consistent process of depoliticization, far from any potential instrumentalization of money for the goals of social justice and/or redistributive policies. If such dynamics existed, they reflected social dynamics *within* Member States rather than top-down supranational arrangements or directives. In fact, if there is a correlation between European money and Keynes' thought, that is more visible in Keynes' own embrace of *depoliticization* and his preference for insulating monetary policy from mass democracy. While Keynes did envision the 'transition from economic anarchy to a regime which deliberately aims at controlling and directing economic forces in the interests of social justice and social stability',[77] his overall approach stood at odds with attempts at 'democratizing money'. As Eich rightly notes, 'even where [Keynes] sought to recover the lost need to manage money by placing it anew on a constitutional footing he remained at the same time acutely attuned to the challenges that democratic politics could pose for monetary and fiscal steering, which after all relied on expertise over opinion'.[78]

Eich's last chapter offers a detailed account of how the depoliticization of money was fiercely promoted by neoliberal/monetarist accounts from the 1970s onwards. It also offers an explanation for the reasons why left/social-democratic thinkers ended up embracing a similar approach to money. The combination of these two can serve as a powerful tool for understanding the framework of contemporary European money and the attempts to render it *invisible*, or else insulated from democratic and social interference. As noted in this paper, the trajectory of European money since the postwar period is separated into two main periods: the immediate aftermath of the war and the creation of the US-led Bretton Woods monetary regime that essentially encased questions of money and central banking monetary policy within a context of calibrating exchange rates and convertibility; and the period after the collapse of Bretton Woods where monetary policy, rather than being revolutionised, underwent a *resurgence* into a framework of 'depoliticization', i.e., removing any directly political or discretionary control over monetary policy. From an institutional perspective, the two periods had crucial differences: while Bretton Woods performed the role of an institutional umbrella through which monetary policy was directed and transmitted, its collapse led to a consistent attempt to create, as Pierre Werner put it, 'the legal procedures and instruments' that could operationalize a common [*depoliticized*] monetary policy. As it has been argued, this institutionalization of depoliticization reconnects European money to the Lockean tradition and attempts to imitate the conditions present during the gold standard era through the search for those institutional forms that would render further developments within monetary policy *path dependent*. As Eich notes, this process reached its

[77]JM Keynes, 'Am I a Liberal?', originally published in 1925, now in *Essays in Persuasion* (W.W.Norton & Company 1963) 335.
[78]Eich (n 1) 173.

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historical climax in the 1970s through the monetarist predominance and became institutionally (and constitutionally) embedded with the creation of the EMU.

Somewhat surprisingly, Eich concludes that it was also 'the shadow of Marx – and to a lesser extent Locke – that hung over the resulting invisibility of the politics of money'.[79] But one can remain sceptical of this suggestion. As Eich himself shows, Marx's approach was not powered by an attempt to mystify the political or social character of money but one of reversing a perspective that tends to dissociate 'the shadow from the body'. For Marx, the underlying relations of production and distribution based on the dual character of labour under capitalism were mediated by a form of exchange that posited a universal medium. Rather than promoting the invisibility of this expression of exchange, Marx was eager to explain its foundation within the process of production. In this sense, it is the abandonment of the focus on the economic process of production, as well as what this means for labour, that animates money depoliticization for both neoliberals and thinkers like Habermas. Even in cases where progressive voices call for the democratization of money and monetary policy, it is often hard to avoid the impression that such a monetary re-orientation functions as a means for 'improving state monetary policies in modern capitalism'.[80] Marx's approach was, as described, indifferent to such a task. If he refrained from stressing the significance of monetary policy, that was not because he embraced the invisibility of money but because of his conviction that transformations at the level of monetary policy which side-line the economic process of production, distribution and exchange offer no potential emancipatory path.

As Eich himself recognises, if there is any meaningful way to talk about 'democratizing money' such a goal is not reducible to either recognising the insulation of monetary policy from democratic pressure or pointing at the inherently political character of depoliticization. It would require, rather, a simultaneous dismantling of the institutional structures created with the explicit aim of de-democratization *and* the undermining of the widespread theoretical and ideological justifications of depoliticization which have reframed the contemporary predicament. But for any of these preconditions to emerge, a critique of the economic conditions that money reflects and is meant to mediate is unavoidable.

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[79]Eich (n 1) 201.

[80]D Foley, 'Preface' in Suzanne de Brunhoff *Marx on Money* (Verso Books 1973) viii-ix.

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