A regressive institutional framework: the construction of the European Economic and Monetary Union

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Institutions and evolution: always a progressive path?

- Institutions are closely related to social, economic and political evolution
- They are usually seen as mechanisms of consolidation of progressive trajectories: a lot of good examples
- Democratic capitalism and European integration as experiences that confirm the progressive hypotheses
Institutions and evolution: always a progressive path?

• Democratic capitalism
  • Labour market institutions and welfare state as mechanisms for inclusion, cohesion and more balanced relations in a context of open societies
  • The organizational/institutional dimension of capitalism as a qualitatively different subject compared with market society

• The history of European integration: a set of relevant institutions for cohesion against the centre/periphery divide, inequalities, asymmetries and for the wellbeing of the people
  • Institutions to capital transferences between regions
  • Institutions to diffuse the best standards of living as benchmarks

• Improvement of collective services and infrastructures
The Economic and Monetary Union: a case of regressive evolution?

• Why a regressive hypotheses?
  • Stagnation of wellbeing and economic development in Europe since the beginning of the century
  • Growing inequalities
  • New and deep asymmetries between countries within Europe
  • A regression of the space of democratic deliberations: a growing role of “independent”, not democratic, “third parts”: the example of ECB
  • Conflictual modes of evolution between nations: creditors vs. debtors; exporters vs. importers; central vs. peripheral countries...
  • Economy seen not as a system of creation of wealth and provision of wellbeing but a system of market transaction (specially financial transactions)
  • Capital outflows as instruments of power
The Economic and Monetary Union: a case of regressive evolution?

- Why the hypotheses that new institutions have regressive role?
  - The huge change to financialization of economies has a precise institutional context
  - Development of the instruments for liberalization of capital movements
  - Privatization of bank system and liberalization of instruments of regulation
  - Public policies under strict conditionalities
  - Labour market deregulation
  - Growing insertion of agents, including families, in financial markets
The Economic and Monetary Union: a case of regressive evolution?

• Economic and Monetary Union as a neoliberal expression of Hayek thought
  • “Denationalization of Money”: the abolition of the government’s monopoly over money
  • Avoiding political interference (e.g. governments based on the choice of people) in economic policy
The institutional architecture of the Economic and Monetary Union

- Governance based on a very narrow set of macroeconomic criterions: public deficit, public debt, inflation rate and interest rate.
- Stability and Growth Pact (1997) illustrates the pervasive neoliberal orthodoxy of the EU.
- Six Pack (2011) and Two Pack (2013) deep it.
- An example of how to institutionally favour a bias in economic policy.
The institutional architecture of the Economic and Monetary Union

• Labour movement permanently put on the defensive and compelled to abandon the demand-led policies that it has traditionally favoured

• Northern’ countries with important surpluses in their current accounts and therefore capital outflows

• Peripheral ‘Southern’ countries with deficits in their current accounts and inflows of financial capital.

• Normative elements to selectively tame the State

• Europe as a map of dominances and dependences and conflictual (not complementary) structural differences
Summary of the main consequences of this institutional involution

• State and public policies under restrictive conditions
• Huge (and original) financial imbalances between countries
• Economy as a system of production, employment and provision strictly conditioned by financial markets
• The constrictions of social reproduction: the cases of the provision of housing, pensions and water
How to revert an institutional involution like that?

- State vs. Market: a new balance?
- The special case of bank system, central banks and financial regulation
- The balance between national levels and “federal”/”global” level
- Europe as a part of global integration or as a differentiated territory in global system