

A particular rationalization of money and risk: The asymmetric application of the Stability and Growth Pact

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Abstract

Unsound budgetary policies threaten to increase inflationary pressures through fiscal expansion. Such orthodoxy, otherwise labeled as “new monetarism”, underpins the European Monetary Union (EMU) and reproduces a neoliberal regulatory response in the form of the Stability and Growth Pact (SGP). Lacking is a supranational institution for the conduct of fiscal policies. Rather, EMU privileges rules over discretion while relying on “mutual surveillance” procedures aimed at encouraging the naming and shaming of offenders into compliance. Recent events, however, attest to their failure and the supposed ideological subversion of monetarism by its very architects, namely Germany and France. Whereas the SGP was devised as the anchor for the euro it has come symbolize its weakness. What is witnessed is an antagonistic relationship between the programmatic and operational dimensions of monetary governance. The administrative process of regulating EMU conflicts with the individual budgetary conduct of member states. Together with the ideological and conceptual inconsistencies apparent in governing the EMU is an institutional one as the asymmetric application of the SGP by Ecofin reveals. Hence, how is this emerging monetary order problematized as a programmable and integrated space in light of the fact that half the members who have adopted the euro have also breached its rules? Moreover, what mechanisms can be deployed to minimize the risk and uncertainty associated with fiscal indiscipline? It calls for a re-imaged spatial-temporal explanation of governance to adequately capture the political economy of EMU and the diffuse technologies through which control happens. At the core of EMU management are risk and uncertainty based modes of governing. Employing a governmentality approach, I argue that the audit is one prominent style of processing and institutionalizing risk and uncertainty as aggregate futures of monetary activity. In altering the administration and objects of risk governance the audit is perceived as restoring accountability by reducing EMU’s susceptibility to failure. It has a performative function that extends beyond simply measuring performance and acts as a social and institutional process structuring a homogenous set of fiscal practices through the internalization of self-regulation.

Introduction

Without doubt, the European Union (EU) represents one of the largest public sector configurations in which the panoply of European, regional, and national administrative cultures and institutions function, often overlapping, to create a novel regulatory space. Surprisingly, however, what has been lacking is a comprehensive and harmonized financial management and internal control system to adequately guarantee that public funds are soundly expended. Yet, this may be changing in light of the November 2003 Stability and Growth Pact (SGP) crisis and recent “creative accounting”, most notably Greece’s consecutive production of fictitious budgetary data, as greater accountability and transparent verification are demanded (Lodge in Jordana & Levi-Faur, 2004: 124). Simply relying on member states to report their budgetary data to the European Commission while simultaneously engaging in “mutual surveillance” procedures aimed at encouraging the naming and shaming of offenders has failed (Eichengreen & Wyplosz 1998). Article 104 of the Maastricht Treaty still forbids both the European Central Bank (ECB) and National Central Banks (NCB) from lending directly to any state or purchasing securities from them so as to avoid the monetization of debt (Schuknecht 2004). Combined with the deficit and debt to GDP ceilings of the SGP, states are denied the traditional tools that help stabilize their economies in the event of an economic downturn, which increases the risk of further SGP violations irrespective of its revised status in 2005. Such a pro-cyclical policy is critiqued as acting as a “straight-jacket”, damaging the economic position of members at a time when expansionary measures are justified (Ferre 2005). In effect, the SGP resembles a “contract” amongst countries that retain sovereignty over fiscal policy. Unlike a conventional contract,

however, its politicized nature thwarts its enforcement by legal means. Thus, the “essence of the pact is not a mechanism of ‘quasi-automatic sanctions’ but the institutionalization of a *political* pledge to aim for low deficits” (Heipertz & Verdun 2004: 770). First and foremost, the SGP is a political protocol and fiscal indiscipline is a political failure.

Three inconsistencies in governing the euro have surfaced in light of the SGP debacle. First, it is recognized that fiscal profligacy poses a grave threat to the common monetary policy and its ultimate objective of price stability as unsound budgetary policies threaten to increase inflationary pressures through fiscal expansion (Issing 2004: 9; Stiglitz and Greenwald 2003). As such, deficit financing undermines confidence in the stability oriented monetary policy of the ECB and must be avoided. Much of the international political economy literature takes the neoclassical economic paradigm as a constant and privileges balanced budgets, low inflation and a strong and stable exchange rate (Artis & Buti 2000; Eijffinger 2005). Such orthodoxy, otherwise labeled “new monetarism”, underpins the SGP and reproduces a neoliberal regulatory response to monetary affairs (Chang 2006). Initially, this ideological commitment helped diffuse these tensions as the SGP represented a monetary space symbol and was designed as a tool for managing risk posed by fiscal indiscipline. Surveillance as regulation, rather than a supranational enforcement body, was seen as the centerpiece of the neoliberal doctrine behind this multilateral bloc. Arguably, the fact that half the members who have adopted the euro have also broken its rules signals the shortcomings of neoliberalism and its disruption as the predominant mode of governance. This is the ideological inconsistency.

Secondly, the underlying conceptual model for policy remains opaque as the different mandates assigned to the ECB (price stability) and member states (output stabilization) create a *de facto* policy conflict. This also highlights the problem of a

single, centralized monetary policy operating against the backdrop of multiple and fragmented fiscal policies and its effect on the governing capacity of EU organs (e.g. Ecofin, ECB). What results is a high-risk strategy that is neither linear nor guaranteed in its development of a coherent and successful European monetary space. This exposes a conceptual inconsistency.

Lastly, the risk of the asymmetrical application of the SGP statutes undermines the legitimacy of Ecofin. The paradox is that “the declared intention is to keep political discretion at a minimum in order to prevent opportunism by governments that are both subject to, and the executors of, the pact” (Schelkle 2005: 375). Here lies the institutional dilemma in reconciling the programmatic aspect of EMU with its operational component. Acknowledging that Germany and France were in violation, Ecofin rejected Commission recommendations to sanction the two members and suspended the Excessive Deficit Procedure (EDP) against the primary authors of the SGP, thereby “sounding the death knell for the unloved Stability and Growth Pact (SGP) and also challenging recommendations to Member States under the Broad Economic Policy Guidelines (BEPGs)” (Begg & Schelkle 2004: 86). Hence, there is an institutional inconsistency. Moreover, this questions the viability of further integration through an Open Method of Coordination (OMC) as the level of trust has deteriorated. This danger is only accentuated by the lack of coordination among the various regulatory agencies entrusted with checking financial books. Although some reforms were adopted in 2002 and new internal control standards and mechanisms have been introduced, their value-added is questionable (Flower 2004: 98).

So the question begs, how does the Stability and Growth Pact crisis help us understand EMU management? I submit that the politics of risk and uncertainty have

become more pronounced because of the aforementioned inconsistencies. Given the EMU's increased propensity to failure, risk and uncertainty are more visible in framing the problems of monetary governance and in devising methods to solve them; as in the greater emphasis on the "preventative arm" of the Pact. As modes of regulation they help define EMU activity. Yet, in addition to reinforcing "Medium Term Budgetary Reviews" or installing fiscal councils in more states, what mechanisms exist that can strengthen fiscal "national ownership"? Specifically, how can the "single systems audit", as a quantification of risk and institutionalization of value, be used to regulate fiscal conduct? It calls for a re-imaged spatial-temporal explanation of governance to adequately capture the political economy of EMU and the diffuse technologies through which control happens. Government through surveillance exerts a disciplinary power over the observed. Given the vast spatial and informational geography of EMU it is inefficient and extremely costly to directly monitor the fiscal practices of each member state in an overarching fashion. Since simultaneous, direct control over all areas of monetary activity is impossible, "public authorities seek to employ forms of expertise in order to govern society/economy at a distance, without recourse to any direct forms of repression or intervention" (Barry et al 1996: 14). The audit performs such a "governance-at-a-distance" function as a "responsibilizing technology" (Miller 1992). Specifically, the "single systems performance" audit, based on efficiency, economics, and effectiveness, is a necessary step to improving EMU's regulatory capacity. It categorizes objects of EMU and makes them intelligible according to a rationality that emphasizes discipline and accountability with respect to economic conduct.

Aside from market discipline, surveillance procedures can influence fiscal austerity. A rules-based fiscal framework that fosters transparency, consistency and equal

treatment is essential for establishing effective governance. Part of this involves developing EU-wide standards for the compilation and reporting of fiscal statistics (COM (2004) 581). Next, strengthening EU governance of fiscal statistics necessitates enhancing both the internal and external control systems. A comprehensive and coherent framework would be a chain model with control levels in member states and the Commission adhering to common standards of methods, coverage and quality (Caldeira in Crespo 2005: 204). The Commission's Internal Audit Service (IAS) is entrusted with internal control and works jointly with states in managing the EU budget (125.6 billions euros). Although this accounts for about 1 percent of overall state budgetary expenditure, the IAS system employed and its ISA 95 accounting standards may be regularized. Its mandate should be expanded to help administrate the new integrated internal control system across EMU as established by the framework. Subsequently, the European Court of Auditors (ECA), which is the EU's external auditor, will evaluate the application and reliability of the internal control framework. Rather than focusing on individual transactions, the ECA will focus on the system for steering these activities. These institutions may collaborate with Eurostat in the collection and reporting of data.

The following argument is developed in five stages. The first section will further develop the problematic. Continuing, the conceptual territory of risk and uncertainty as modes of governance, which underpin the development of a European monetary space, will be discussed. Demonstrating the inadequacy of mainstream ideas based integration theories in explaining the SGP crisis as an amplifier of risk and uncertainty will occupy the proceeding section. Having catalogued competing yet inadequate explanations of the meaning of the problematic and how the EMU space is governed, I will proceed to introduce the governmentality approach as a better account of the phenomena in question.

Attention will be devoted to an investigation into how the audit acts as a force in the production of monetary objects of knowledge. I will operationalize how the audit functions as a technology of risk in the monetary union, which may be deployed in promoting sustainable public finances and fiscal convergence.

Economic Surveillance

The Stability and Growth Pact represents a monetary space symbol and method of managing risk and uncertainty. Devised as an anchor for EMU and embedded in particular myths of control, it has nonetheless become a sign of its weakness. Arguably, this embodies the contradictory nature of organizational (programmatic) and political life (operational). Without any overarching, fiscal authority to delegate and enforce SGP statutes or distribute funds, EMU is not an optimal currency area (OCA). It relies on specific discursive practices to produce fiscal discipline. The temporary stabilization that results, however, is neither uniform nor constant but rather historically contingent and contestable. An analytics of government allows me to render visible these tensions between the constituting and destabilizing forces of EMU. To do so is to highlight the ideological, conceptual and institutional dimensions underpinning the problematic. In this case, the ideological refers to challenges posed to the dominant neoliberal/new monetarist paradigm in influencing behaviour and not to some underlying reality. Such an approach introduces a new analytical instrumentality to the SGP debate, which was previously monopolized by inadequate explanations of monetary and fiscal governance.

Up to this point in time, the SGP has progressively come under attack from six states as they have breached the rules prescribing government deficit (3% of GDP) and debt (60% of GDP) levels (ECB 2006). Not only does the asymmetric application of the SGP undermine the ideological consensus behind the euro but it exposes institutional as

well as conceptual inconsistencies apparent in governing the EMU. This may very well have adverse ramifications for the new “Open Method Coordination” (OMC) since compliant states are likely to be dissuaded from deeper, “soft” forms of integration with members who free-ride on “hard laws” and agreements (Schelkle in Jones & Verdun 2005: 153). “By placing the European Council at the heart of the Union’s policymaking”, the OMC may actually invite further abuses as the more powerful states shield themselves from community sanctions at the expense of weaker players and the EU at large (Chalmers and Lodge 2003: 3). Together with certain ideological inconsistencies, scholars are concerned about the potential for EMU institutional failure, thereby necessitating a rethinking the risks inherent in producing a regulatory framework.

What remains is a deficit bias of fiscal policies that is ultimately unsustainable and a behaviour that the SGP has apparently failed to eradicate. This is clear:

that if the problem is primarily one of adherence to the rules, the priority should be to ensure rigorous implementation of the existing rules rather than to change them. At the same time, it is widely recognized that simply attempting to apply the existing rules after the watershed of November 2003 is not a viable option. Reestablishing a sense of ownership of the fiscal rules by all parties would be the precondition for their effective enforcement (Buti 2006: 9).

All this culminates in the need for a revamped approach to governing the fiscal operations of EMU and has fueled an academic debate with thinkers, such as Jakob de Haan (de Haan et al 2004), advocating stricter enforcement mechanisms while others the likes of Heipertz and Verdun, questioning whether rules could ever be “as effective as a political body” (Heipertz & Verdun 2005: 998). Another strand of academic discourse, espoused by the likes of Arestis, Brown and Sawyer (2001), contends that irrespective of the “arbitrary reference values”, targets themselves are about sustainability and would still result in budgetary adjustments with 2% inflation and 3% real growth (Arestis et al 2001: 39). Sustainability is reinforced by transparency and audits are subtle mechanisms

that facilitate this process. Moreover, this position alludes to the internalization of self-regulation as actors' preferences converge. Acknowledging that fiscal sovereignty is a "sacred cow" of the state, this "emphasis on the steering of internal control" or "the conduct of conduct" may prove to be an attractive alternative to some of these solutions presented above (Scott in Jordana & Levi-Faur, 2004: 168).

Risk and Uncertainty as Modes of Governance

Problematizing and deconstructing EMU is instrumental in helping understand how governance is affected by the movement to a stronger regulatory approach with an emphasis on quantitative targets, intervention and sanctions. There is an ever growing literature focusing on how these methods, once institutionalized, produce accountability (Crowley in Verdun 2002). It is not so much the institutions as the evaluative practices they perform which may discipline governments. This managerial approach posits that the future of EMU should be governed through risk and uncertainty. As opposed to defining uncertainty as the incalculable risk, which is favoured by Ulrich Beck and most "risk society" theorists, I prefer to adopt the distinction that Pat O'Malley makes (Beck 1999; Ericson & Doyle 2003). Whereas risk is a quantifiable frequency of an undesirable event, uncertainty may be understood as a subjective estimation, as the "fluid art of the possible" (O'Malley 2004: 5). Such a reading avoids "a totalizing vision in which risk is said to lie at the root of everything" in favour of an understanding that sees risk and uncertainty as a way of rendering realities in order to govern them (O'Malley 1999: 143). Furthermore, it recognizes that member states are prone to deviating from the prescribed course at any time, as the SGP crisis demonstrates. Predicting and therefore regulation this behaviour does not readily lend itself to any statistical probability or formula. Rather it demands that regulators exercise foresight by appreciating the contingency of the

situation. Nevertheless, this variation should not be interpreted as a rigid binary as risk and uncertainty overlap in certain areas.

Risk, as a particular mode of regulation, is instrumental in examining this problematic and helping understand (1) changing nature of the governance function, (2) the emergence of new authoritative institutions and actors, (3) shifting power relations and (4) wealth production and economic growth. However, the origins of this mode of governance are unique neither to EMU nor politics for that matter. They have migrated into the EMU domain from the private sector where risk analysis has been a powerful tool for the purpose of minimizing costs and maximizing profits (Knight 1921). Michael Power has identified three primary elements that have been adopted by political authorities and which are relevant for the current discussion. The first concerns the emergence of risk-based “internal control” in redefining organizational governance. Early warning systems, such as those employed by Ecofin, externalize institutional control arrangements. Next is “operational risk”, defined by the Basel Committee as “the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events” (Basel 2001, http://www.bis.org/publ/bcbs_wp8.pdf). Finally, the category of “reputational risk” connects the question of legitimacy and power with organizational identity (Power 2004). Risk management is being embedded in EMU planning along these dimensions.

To achieve sound budgetary policies across diverse states requires a regulatory approach that adequately quantifies levels of assurance and institutionalizes the value of fiscal conduct. Embedded within regulatory practices are discourses of risk and uncertainty, which are institutionalized through the deployment of the audit as a calculative form of control. We notice the visibility of risk as an organizing concept of

EMU when Joaquín Almunia, the European Commissioner for Economic and Monetary Affairs, relies on it to define the EU economy (“The EU Economy and the Lisbon Strategy for Growth and Jobs”) (Speech 07/74). Minimizing exposure to risk and uncertainty, EMU “governance is not about policing or surveillance in the normal sense of external observation” but “has more to do with attempts to re-order the collective and individual selves that make up organizational life” (Power 1997: 123). This entails accepting the superiority of knowledge derived from mathematical methods rather than relying on human expertise as a mode of governance.

Engaging with the Literature

In light of the ideological, conceptual, and institutional inconsistencies that have become more pronounced with the SGP crisis, various scholars and analysts have espoused contending explanations of EMU governance. Since national idiosyncrasies underlie EMU and sovereignty plays a role in integration, one of the more visible is a state-centric intergovernmentalism. Quite often, however, this rational choice approach, with its *ceteris paribus* clauses, takes state interests as objectively given, ranked and transitive but fails to recognize how monetary integration is shaped by non-state forces, practices and discourses. No only does this foster a false dichotomy between state-society relations but it is a poor explanation of the meaning of the problematic. It is not merely a technical and functional issue but a symbolic one as well. Symbols help produce this knowledge of EMU and intergovernmentalists of all stripes are blind to this. It is on this ideational level that interests and identities are constituted and transformed as they struggle for power of representation. There is a functional as well as sociological need for control in the face of risk and uncertainty. Yet, this is a more fluid process of control than

the static conceptual model of agency, interests and power underpinning intergovernmentalism would permit.

Increasingly, however, idea-based perspectives have gained explanatory currency. The Governing Council of the ECB or Ecofin members subscribe to particular paradigms about how to perform their respective duties. These are discursively constructed models of reality that contrast with rationalist assumptions about causality and the main object of analysis (Jachtenfuchs et al 1999). As already mentioned, the SGP is itself characterized by a monetarist language espousing “price stability” and “sustainability” in the hope of constituting a “stability culture” within EMU (Artis & Winkler 1999; Marcussen 2000). At least that was the intended purpose. The internalization of values associated with the paradigm of “sound money” was to have a “discernable” effect “in the cognitive dimension of policy and politics...privileging some strategies (e.g. fiscal discipline) over others” (Dyson in Verdun 2005: 92). Constructivists question the argument that intergovernmental conferences (i.e. Ecofin) are the primary site of interest articulation. Rather preferences and identity are shaped at all the points of socialization where culture, ideas, experts and language play a critical role. What we witness is a mutual constitution between the ideational and material; otherwise seen as dialectic between experts and politicians.

According to Hodson, macroeconomic coordination is infused with “prescriptive uncertainty” regarding the appropriate solution to the problem of fiscal spillover, which when coupled with “substantive uncertainty over the definitions of the medium-term target” undermines efforts at effective coordination (Hodson 2004: 235). Therefore, the architects of EMU intended to minimize the associated costs by instituting an “open method” of coordination (OMC) based on a consensus that fiscal profligacy is to be

avoided. Constructivists contend that this project of “translating the paradigm into practice” was jeopardized because of a new ideational compromise, which saw the significance of fiscal discipline deteriorate (Heipertz & Verdun 2005: 1002). In their view, the current SGP crisis reflects the conflict between two competing discourses. One continues to privilege price stability as is articulated by the ECB. The other has its anchor in domestic politics and expresses the opinion that governments must first be accountable to their domestic constituents and their welfare. Convergence around these differing beliefs has produced an asymmetry in policy compelling some to favour “loose money rather than sound money” (Miles 2005: 12).

Yet, many constructivists are not immune from the criticism that they lack a coherent theory of agency. Without problematizing agency and interests the suggestion is that “social discourses are controlled and promoted...by socio-economic classes, gender groups...and so on” (Cameron & Palan 2004: 48). Such a reading neglects the performativity of practice in constituting the EMU and its subjects. But the meaning attached to the SGP as a monetary space symbol arises from the production of knowledge as it “opens up technical and depoliticized economic practice to political scrutiny” (de Goede 2006: 7). Therefore, constructivists neglect to problematize the actualization of EMU agency, which led to the rejection of the SGP. Their accounts of are prone to overemphasizing “the role of social structures and norms at the expense of the agents who help create and change them in the first place” (Checkel 1998: 324). Quite often we are presented with an embedded institutional context of policy-making, such as Ecofin, without regard for the individual actors who influenced the course of action taken. France’s finance minister Francis Mer was persistently vocal about renegotiating the SGP (Parker 2003). His hostility was echoed by both Chirac and Schroeder (Chang 2006). The

SGP crisis is illustrative of how quickly government leaders rejected the monetarist orthodoxy in favour of Keynesian demand-management because of a shift in individual public opinion (Donnelly 2005: 962). Without understanding this dynamic, constructivists ignore the changing configuration of EMU management; one that operates at multiple levels and “as complex ensembles of discontinuous elements and forces bound by heteromorphic relations” (Dean 1996: 55).

Finally, constructivism is concerned with ontology, which restricts its utility in problematizing monetary and fiscal management. It may provide some insights into the discursive formation of EMU but it neglects to historicize the practices and technologies of governance. As opposed to determining the essence of this spatial-temporal order it is more useful to map the practices, experts, agencies and interests connected with regulating EMU. Understanding how the SGP crisis is reflective of a shift in modes of governance and in turn how it impacts upon the creation of a novel monetary space requires an analysis of discourse and representation in the production of truth. Such a programme is limited by the extra-discursive domain that constructivists erect, which imposes conditions on the constitutive capability of discursive practices (Campbell 1998: 224). Placing restrictions on how the problem of fiscal management is conceived and represented would exclude the possibility for differentiated assessments of the SGP and reform. But that is exactly what happened. Sadly, this speaks to the notion that constructivist are inadequately prepared to tackle the conceptual dimension of the problematic, which discusses how new knowledge is produced and legitimated through the politics of risk and uncertainty surrounding the SGP.

Analytics of Government

Mainstream approaches attempt to shed light on why and how the SGP has come to symbolize the Eurozone's weakness whereas it was originally devised as its anchor. However, not only are their answers to the conceptual and ideological dimensions of this problematic questionable and often incoherent but they are all substantially weak in problematizing EMU management in light of the asymmetric application of the SGP as well as in proposing a new institutional capacity for addressing it. Moreover, the above literature does not analyze the role of technology in governance such as the audit. Conversely, an analytics of government ushers in a new analytical instrumentality. As a critical epistemological approach, it is more conducive to conceptualizing EMU as a network/assemblage of a diverse set of practices in which discourses of risk and uncertainty are embedded. Irreducible to a basic essence or structure, the assemblage does not privilege some fixed state of affairs but is malleable, reflecting the changing problem of government. Here EMU is presented as a space of monetary and fiscal activity with identifiable parameters, power systems and mentalities of rule predicated on risk and uncertainty as new modes of governance. It encompasses a panoply of technologies and discourses aimed at controlling the representation and therefore the actualization of a particular system. Making sense of how this space labeled "EMU" is organized and rendered thinkable for the purposes of government allows for an assessment of its relative merits as a field of intervention. This involves analyzing a blend of statistical information, societal expectations, and technological practices to demonstrate the contestable and historically contingent nature of the SGP. To dissect the SGP crisis in this fashion is to reveal how power is exercised in the construction of EMU

conceived of as a struggle between national and European versions of risk-centred governance.

Governmentality studies concentrate on how the EMU is constructed as an object of knowledge and how its “space, movement, sequence and position” are manipulated by technologies such as the audit (Mitchell in Steinmetz 1999: 86). This very terrain where identity and interests are constituted is power itself. An array of power systems exists that is relevant for conceptualizing the SGP as a territory of government. With the emergence of risk and uncertainty as dominant modes of rule, “sovereignty” and “discipline” have not been completely displaced by the art of “government” (Foucault in Burchell et al. 1991: 101). Rather the idea of a government of economy introduces a self-regulating element to the organization of EMU. Through the internalization of self-regulation, members are envisioned as enterprising subjects entrusted with the responsibility of prudently managing their fiscal books. Obviously, some states are more competent in this regard than others necessitating some form of what O’Malley labels as “economic coercion”. Discipline produces obedience “in terms of the delivery of a multitude of tiny moments of correction that eventually creates docile bodies” (O’Malley 2004: 32). Recognized as the continuous exercise of power through surveillance, individualization and normalization, it works by constituting the subject as an object of knowledge. At its core are regulation regimes based on risk and uncertainty, which privilege susceptibility as the defining characteristic of the governable object.

Arguably, EMU relies on performative technologies to project a particular vision of what is considered appropriate behaviour in order to enforce a homogenous set of fiscal practices across different contexts. Government seeks to address the problem of controlling the economy, which has itself become an object of rule. Monetary relations

are exemplary of “socio-technical” links where calculative forms of knowledge shape the cultural and intersubjective aspects of life (Mauer 2002: 16). It is a blend of statistical information and societal expectations, which produces a notion of how we should organize and interact within the economy. Not only is currency a material medium of exchange but it is a discursively constituted practice of representation (de Goede 2005). Intergovernmentalist explanations fail to recognize this social construction of the euro. Being contestable and historically contingent a governmentality approach is instructive to deciphering how the euro emerges as a problem of government susceptible to failure. Such as reading helps fill the gaps in existing literature by explaining the meaning of the SGP crisis as an amplifier of risk and uncertainty.

Government-at-a-Distance through Audit

One of the most visible practices that works to institutionalize risk and uncertainty as dominant mentalities of rule is auditing. Obviously, there is an array of other accountability measures ranging from accounting to benchmarking that are also relevant for the study of governance as surveillance but auditing is a technology that is “codified and exercised incessantly” in the production of knowledge about a particular subject (Dreyfus & Rainbow 1982: 154). This in mind, I now proceed to investigate how the audit acts to constitute monetary objects of knowledge before proposing a specific type of audit to regulate EMU.

Understood as mechanisms through which risk is portrayed for managerial purposes, audits:

can be described in as an instrument of definitional risk management, effectively subsuming those risks which are open to social definition and construction within a new managerialism with its own esoteric risk knowledges (Power in Hopwood & Miller 1994: 312).

As the audit institutionalizes the EMU as a field of knowledge by framing problems in a largely quantitative manner and organizing relationships according to reference values, it sheds light on how the euro is governed. This is accomplished through the production and accumulation of information. By measuring reality, audits shape it by granting power and authority to figures and abstract modeling (Strathern 2000). Audits have a performative dimension that renders subjects and risks manageable. They “promise to compensate for the lack of government regulatory oversight and to provide accountability for organizational behaviour” (Courville et al 2003: 180). Seen as a neutral and often indispensable form of management, audits are proliferating as a preferred practice in the definition and organization of economic and monetary relations (Power 2003: 187).

Embodying the principles of accountability, organizational discipline and transparency the audit attempts to classify an unknown future. “Auditability” renders subjects and risks manageable as it “travels well across space and time, is capable of being propagated in a multitude of locales, channeling and organizing activities and linking centres of calculation to sites of implementation according to new vectors” (Rose in Barry et al 1996: 55). Being both temporal and spatial, governing through statistics reveals certain regularities about the political economy of EMU. Risk sharing in the SGP is renegotiated by making the time frame for correcting excessive deficits more conditional on economic growth. Although “accepted for the close to balance provision as it supports stabilization” it is inappropriate for the “EDP where the risks to macroeconomic stability were considered more important than the desire for risk sharing” (Schuknecht 1994: 23). Recognizing the differences in degree in which these behaviours and events are susceptible to failure offers the opportunity of stability through regulation. In this manner, the audit “creates specific patterns of visibility and performativity” as it

institutionalizes a risk management system geared to securing a homogenous set of fiscal practices across different European contexts (Power in Hopwood & Miller 1994: 308).

Arguably, it is a substantive, as opposed to methodological, ambiguity that grants the audit its power. Without precise agreement on a single definition the audit comes to embody and reproduce the different power systems introduced above. Implicit in this is a normalizing force. Discipline, as a mode of power, inscribes the actor with a particular set of “enduring corporeal and behavioral competences, and persisting practices of self-scrutiny and self-constraint” (Rose 1999: 234). Timetables, balance sheets and other disciplinary institutions regulate EMU conduct. Surveillance is related to this endeavour but it is more coercive than the audit programmatic. Focusing on the individual rather than the organization and its sub-systems as the object of government, surveillance “is oriented explicitly towards control rather than evaluation, towards prevention rather than learning, towards pure visibility rather than a form of confessional accounting” (Power 1997: 128). Hence, the audit is more than just surveillance. It also supplies information necessary for self-government by member states in “a space of regulated freedom” (Rose 1999: 22). Through the compilation of economic statistics and indicators, EMU becomes a “field of intervention and an objective of governmental techniques” (Foucault in Burchell et al 1991: 102). “Governmentality”, or the “conduct of conduct”, as a form of power works to create self-regulating subjects through panoply of techniques and discourses associated with numerous agencies. Audits exemplify one such technology as they assign a risk value to the fiscal conduct of member states, indicating how far from the prescribed SGP policy objectives they are operating, thereby rendering them auditable.

The current control framework is riddled with problems ranging from a lack of clearly defined objectives to the inefficient use of resources to a heightened risk of inaccurate reporting because of the discrepancies located across departmental and state borders (Pollitt et al, 1999: 77). These issues must be resolved for EMU to operate effectively in an accountable and integrated control structure. Acknowledging the deficiencies in the compilation and reporting of fiscal data (i.e. Greece 2004) is only one step in this direction. The “European Governance Strategy for Fiscal Statistics” (COM (2004) 832) proposed by the Commission has the potential to strengthen the governance of fiscal statistics. These include:

- first, the relevant provisions on the quality of statistical data used in the context of the Excessive Deficit Procedure should be clarified. A proposal will be presented, aiming at supplementing the existing rules by strengthening data monitoring mechanisms. Under existing law, the Commission (Eurostat) lacks the power to monitor government accounts directly. The existing set of rules needs to be extended to ensure that Eurostat, as the statistical authority, can carry out effective checks on the data notified by Member States
- second, the operational capacities of the Commission, most notably Eurostat and of the Directorate-General for Economic and Financial Affairs need to be improved. Systematic planning of existing missions, plus longer and more in-depth verification missions, are required. There is also the need to mobilise all existing expertise, including that at national level.
- third, there is a need to establish Europe-wide standards as regards the independence, integrity and accountability of the national statistical institutes.
(http://epp.eurostat.cec.eu.int/cache/ITY_PUBLIC/FISCAL_STATISTICS/EN/FISCAL_STATISTICS-EN.PDF).

However, these must be reinforced with an improved configuration of internal and external control systems.

The “single systems audit” is one approach to organizing the unorchestrated architecture of the EU. Labeled under the category of “performance auditing”, it evaluates government programmes with respect to economics, efficiency, and effectiveness. Representative of the “New Public Management” paradigm, which stresses

the neoliberal occupation with efficiency and “value for dollar” risk management, it is unique to state auditing without a similar counterpart in the corporate sector, although the underlying principles have migrated into the EMU domain from commercial practice (Pollitt et al, 1999:1). Whereas the traditional audit was concerned with information verification, the performance audit is a judgment on the integrity and quality of the programme in question. Performance audits verify how well an entity is operating against a set of established criteria and how effectively and efficiently it is utilizing its resources. If the programme itself is coherent and functioning properly then this minimizes the potential for disruptions. For the purposes of this paper, however, it is sufficient to recognize that these audits have a systems bias and report on primarily on performance rather than on substantive transactions.

In order for a rules-based fiscal framework to foster transparency, consistency and equal treatment, it is essential to establish a single integrated control structure. A chain model with control levels in member states and the Commission would ensure that audits are undertaken to common standards of methods, coverage and quality. Such a community system would guarantee regularity and restore confidence in what is presently as fragmented collection of audits. Member state responsibility would still demand that their Supreme Audit Institutions (SAI) verify risk-based transactions in order to accommodate budgetary and constitutional variations. Aside from common standards and procedures the difference will now be the role of the Commission’s Internal Audit Service (IAS), which will help implement and supervise these internal control systems. Although the Commission is entrusted with full responsibility of the EU budget (125.6 billions euros) (EC Treaty, Art. 274), 80 percent is actually administered by states. Already in place is the “Joint Audit Initiative”, which monitors that states transfer correct

portions of their GNP and Value Added Tax (VAT) to finance the EU budget (Caldeira in Crespo 2005: 191). Thus, fiscal sovereignty is malleable and the current proposal would simply extend this system of internal controls over a broader area.

An internal control framework is only one component of an integrated auditing structure. The European Court of Auditors (ECA), which is the EU's external auditor, will evaluate the application and reliability of the internal control framework (i.e. SAIs and IAS). Being an independent body it has the power to assess the performance of lower auditing configurations without having to execute any of these transactions. Hence, its expertise is in examining how risk prone internal control structures are. Here lies the "systems" dimension of my proposition. As opposed to scrutinizing individual accounts, the ECA ensures that the entities whose role is to do so are operating according to law and common EU standards. With this in place a risk based "single systems audit" is actualized.

Conclusion

The Stability and Growth Pact represents a monetary space symbol and method of managing risk and uncertainty. Devised as an anchor for EMU and embedded in particular myths of control, it has nonetheless become a sign of its weakness. Arguably, this embodies the contradictory nature of organizational (programmatic) and political life (operational). Without any overarching, fiscal authority to delegate and enforce SGP statutes or distribute funds, EMU is not an optimal currency area (OCA). It relies on specific discursive practices to produce fiscal discipline. The temporary stabilization that results, however, is not uniform or constant but rather historically contingent and contestable. An analytics of government allows one to render visible these tensions between the constituting and destabilizing forces of EMU. To do so is to highlight the

ideological, conceptual and institutional dimensions underpinning the problematic. Such a project introduces a new analytical instrumentality to the SGP debate, which was previously monopolized by inadequate explanations of monetary and fiscal governance.

Distinguishing between risk and uncertainty in relation to the changing problem of monetary governance yields explanations into the operations of EMU that are absent in the existing literature. Not only are their objects of analysis ultimately reductionist and determinist but they fail to problematize how interests and agency are constituted through the exercise of and embedded in various forms of power. More specifically, these perspectives completely neglect disciplinary normalization and government modes of power in the construction and management of subjectivities. This performativity, however, is recognized by the governmentality approach, which is more conducive to understanding how the differentiated assessment of SGP statutes is framed, for what purposes and how governance is affected. One of the most plausible regulatory responses is the “single systems audit”. It allows us to rethink risk and uncertainty as producing a regulatory framework as opposed to simply being abstract models. Therefore, as new modes of governance, risk and uncertainty help situate the study of the SGP by indicating how meaning is inscribed and represented.

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