



Book Review

The Politics of Economic and Monetary Union: Integration and Idiosyncrasy

Erik Jones

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Given the growing number of publications on Economic and Monetary Union (EMU), perhaps a reviewer should ask whether we need another book on the subject. The response is: ‘if it is like this one, yes’. This is a book that, while it has its technical discussions for the specialist on an inherently technical subject, is nonetheless for an informed ‘lay’ readership approachable and will be useful in teaching either specialized modules or as a supplement to more general political economy courses. The book and each chapter lays out its arguments at the outset, each of which are in turn well summarized in light of the evidence.

There is a lot of simplicity and dogmatism in debates concerning EMU. The book’s greatest merit is its capacity to cut through this confusion and to offer pragmatic and evidence-based arguments in a genuine political economy analysis, demonstrating an interdisciplinary grasp of the matter. Jones is equally at home challenging the assumptions and arguments of economist Martin Feldstein as he is challenging the current more emotionally based anti-Euro arguments of politicians in the UK. At no point does he accept that it is all good or unproblematic — there is a fine account of the many dimensions of the costs and policy dilemmas of EMU — yet he presents a powerful demonstration of why EMU solves many of the dilemmas of contemporary economic governance in a way that is at least as compatible with ideas of national autonomy as the available alternatives. His central claim is that the economic and political effects of EMU are idiosyncratic and complex, and this crosscutting complexity is likely to lead to success over the long run. He demonstrates convincingly that many of the dilemmas of monetary governance present themselves with or without EMU and that EMU is likely to serve a protective function for national policy choices in both macroeconomic and social policy terms. Once one admits that nothing is perfect, he appears to say, EMU in fact looks quite good and rather sensibly done. Since (p. 54) the policy rules and processes of EMU bleed controversy away from monetary policymaking towards fiscal and employment policy choices, it is much better governance than its detractors allow.

The structure of the book is straightforward but not orthodox, and this is a merit. In the Introduction Jones begins with history, a logical step, but then departs on a discussion of money as ‘Technology’ (chapter 1). This should be



used by many as a model discussion as to why money is inherently political despite its specialized technical nature, and also why the precise effects of specific monetary institutions and policies are inherently difficult to determine relative to particular sociopolitical constituencies. Warts and all, the EU has stumbled into something workable. His next chapter is 'Legitimacy', where he superimposes the analysis of money as both technology and politics on the institutions of EMU, arguing that legitimacy is not as problematic as often claimed. The ECB is far from the only institution that counts, and political cleavages are far from straightforward. I shall return to these arguments later.

From there, Jones discusses 'Symmetry' (chapter 4), where he takes aim at many of the simplistic assumptions of economic analysis and substitutes in their stead a useful examination of the facts of monetary governance. This is a healthy shift of the debate away from idealistic and binary concepts such as 'optimality' and optimal currency areas and towards the real world of monetary governance and adjustment in vast geographic areas. How many of the dilemmas of EMU are *not* experienced by large federal states such as Canada, Germany, Australia, Brazil, which are far from constituting optimal currency areas? The discussion is an aid to clear thinking and a corrective to the pretensions of much of modern economics. His contention is that adjustment is not an aggregate phenomenon, but is experienced at the micro level, despite what economic theory pushes us to conclude. We must examine it in detail in order correctly to understand the politics of EMU.

The following chapter, 'Motivation', builds by arguing convincingly that EMU is not the straightjacket of so many critics. Here, he relates the pressures of global capital market integration to national reform and welfare state preferences, arguing correctly that capital integration is as much about opportunity as constraint (or it would not have happened!). He shows how EMU membership contributes to autonomy at the national level and eases worries about the exchange rate as a variable, portraying EMU as the regional equivalent of post-war 'Embedded Liberalism'. Here, he at least arguably overstates his case: his Spanish and Portuguese examples omit the high level of EU structural funds that financed their adjustment, something that will not be repeated for the incoming transition countries. In Chapter 6 ('Context'), he therefore focuses more on the Euro in the international monetary system and capital market integration. EMU may indeed soften external constraints for member states, but systemic pressures are not avoided altogether. He admits that EMU does not have the institutional and political machinery to develop foreign economic policies. He of course admits that the real trial will come in bad times, but if EMU has little external political personality and it is precisely such 'personality' that enhances crisis management when external cooperation is necessary, then how will it be done? And what will be left of national autonomy if internal and external collective action problems cannot be met? I



suspect that Jones has good answers to these questions, but they are not fully addressed and are thus worth posing.

This leaves the final two chapters. Chapter 7 'Determination' takes a close look at the Franco-German relationship and its problematic evolution in the 1990s as EMU was under construction. His conclusion that it remains central to the EU integration process and that it goes very deep appears correct in the light of its strengthening under the Chirac-Schröder partnership. Chapter 8 'Symbolism' applies the central arguments of the book to reassure us concerning the relationship between public opinion, national identity, and the pro/anti-Euro debate: 'Analysts who insist on bringing the politics, norms, and symbols back in are right...[however] there is no one politics of EMU, no single set of norms that underwrites the single currency, and no coherent iconography of the Euro (p. 181).' The point is demonstrated by data that show convincingly how pro-Euro and anti-Euro publics share a package of similar concerns, but hold radically different ideas about what to do about them. Belgium and Denmark both had open economies and exchange rates pegged to the Mark with similar pro-Euro opinions among political elites, yet one public opted for EMU and the other saw EMU as a threat. At first glance, this idiosyncrasy might appear alarming, but in light of Jones's earlier arguments it also means that the policy rules and institutions of EMU across various levels provide a range of instruments to ease these concerns, and if the concerns are successfully addressed then anti-Euro sentiment is likely at least to diminish. When and why sentiment is one way or another is difficult to know or predict, and complexity means that it is in fact very difficult to pin problems on EMU as a phenomenon, but this can work as much to support EMU as against it, particularly if the policy mix is right: '...no matter what the calculus behind the single currency, there is little likelihood that a similar or equivalent congruence of factors will come along to force its unmaking (p. 187)'. The greater the degree of idiosyncrasy, he concludes, the easier it is to find means and policies of redress.

This has been a highly complimentary review of Jones's work, but a reviewer should come up with some critical comments and for this I return as promised to his discussion of legitimacy. He gets a number of points right: complexity and idiosyncrasy mean that lines of cleavage are far from clear-cut, preferences of electorates can indeed be satisfied by delegation of monetary policy, and EMU as presently construed can thus function in a way which allows democracy to function much as before. Yet to argue that 'EMU is irrelevant to European democracy' (p. 76) is to this reviewer a step too far. The ECB is *very* untouchable. It is difficult to argue both that money and monetary policy is inherently political, and yet that delegation to the ECB does not pose problems for legitimacy even if the outcome is bad. A national independent central bank could be a problem in such circumstances, and national accountability



mechanisms are stronger than in the EU. In contrast to his discussions of other issues, Jones does not discuss the relevant literature, in this case on democratic accountability and legitimacy. In the literature, both process and outcome (input *vs* output) are identified as important; political systems with a reserve of legitimacy and with verifiably democratic decision-making processes endure poor choices by elites better than others, and the EU as a young and international institution has little such reserve. And legitimacy relates to perceptions and belief systems of electorates, and most national belief systems involve more obviously democratic processes. If the process is perceived as lacking legitimacy and accountability, then it does, even though Jones may convince us that the problems are unlikely to show up until hard times. In hard times is when the system needs a reserve of legitimacy most, yet this is when EMU is least likely to achieve it.

To be fair, Jones's own 'idiosyncrasy' argument provides a way out of this dilemma for EMU. The mix of national and EU level policy rules and institutions *can* work effectively together. All things are unlikely to go wrong at once. And of course the process may induce reforms and improvements as the EU responds to public perceptions. I hope that Jones' optimistic assessment is correct, but my judgement is that more could be done.

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