a r t i c l e s

On Collision Course

THE EUROPEAN CENTRAL BANK, MONETARY POLICY, AND THE NORDIC WELFARE MODEL

BRIGITTE YOUNG
University of Münster, Germany

Abstract

The question addressed in this paper is whether a particular discursive construction of globalization sets the boundaries for what is politically feasible within the EU. To answer this question, the macroeconomic policies of the European Monetary and Economic Union with its rigid emphasis on price stability are analysed in the context of the Nordic promise to preserve the present level of social programmes. What makes this 'puzzle' so interesting is that for the first time a large section of women voters hold the key to joining EMU. The analysis differs from many other feminist approaches to EMU and equal opportunity policy in that it combines a constructivist understanding of EMU with feminist political economy. The paper concludes that the Nordic promise to its female constituency to safeguard the present social and employment system cannot be sustained within the context of the restrictive monetary regime institutionalized by EMU. Feminist economists are calling for a 'transformative' approach to macroeconomics arguing that democratizing the process of macroeconomic policy making is a crucial element in changing the fundamental assumptions of the present neo-liberal policies and provides an alternative that would lead to a more gender-democratic Europe.

Keywords

globalization, EMU governance framework, monetary policy, EU equal opportunity policies, feminist political economy, engendering macroeconomics.

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A DILEMMA: EUROPEAN ECONOMIC AND MONETARY UNION AND THE SCEPTICISM OF NORDIC WOMEN

In response to the Danish referendum on 28 September 2000 on joining European Economic and Monetary Union (EMU), the German daily newspaper, *Frankfurter Rundschau*,[1] signalled with the headline 'Courting the sceptical women' that all was not well with EMU. That the majority of Danish voters declined joining EMU with a margin of 53 to 46 per cent is largely the result of the scepticism of Danish women. One of the many opinion polls 2 days before the referendum suggested that the support for EMU among men was 51 per cent compared with only 30 per cent of women. Danish political scientist, Anette Borchorst, has described the uneasiness women feel toward joining EMU as concern about dangers.[2] More women than men see the European Union (EU) and the introduction of the Euro as a threat to the universal social system. It is feared that the impending drive toward European tax harmonization would replace the tax-financed social system with the more common European insurance-financed social system. European tax harmonization, according to Drude Dahlerup, speaker of the anti-European 'June Movement',[3] would imply a redistribution away from the universal welfare system and the loss of women's employment opportunities.[4] Thus the fear of losing jobs and 'people's pension' is the driving force behind the scepticism of many Danish women towards joining EMU.

It is thus not surprising that Sweden, confronting an equally EU-sceptical faction of women voters, is taking the female 'exit' threat seriously. Sweden, for the first time since joining the EU 6 years ago, gained the presidency in January 2001. A country notoriously sceptical about the idea of European integration, it has also refused to join EMU. This was all the more interesting, since Sweden, holding the EU presidency in the first 6 months of 2001, had an important role in the preparations for the introduction of the Euro in January 2002.[5] Realizing the high stakes in terms of its domestic and foreign reputation, Sweden went on the offensive and presented a clear outline of the goals it wanted to pursue during its first presidency.[6] Prime Minister Persson announced that the symbol 'e' marks Sweden's presidency. 'E' not only for Europe, but also for 'enlargement', 'environment', and 'employment'. Sweden wanted to build on its successful domestic strategy in the labour market and emphasize 'education' and 'equality' to improve the European employment situation.[7] Sweden thus became the first country to specifically stress equality between women and men as a goal to pursue while holding the presidency of the EU.

Nordic scepticism among the female population and their power to use the 'exit' option seems to be effective. If Sweden and Denmark want to join EMU, a goal Prime Minister Göran Persson strongly pursues for his country, then both Sweden and Denmark have first to overcome the scepticism of many of their women voters. Sweden courts its women with the promise of not sacrificing existing achievements in gender equality, and is ready to confront the other fourteen members of the European Union with a solidaristic gender regime that is unique to Sweden. The former Danish government pursued a similar strategy. Karen Jesperson, the former Danish Minister of the Interior, appealed to the sceptical female voters arguing that only by joining the EMU are the conditions for a stable welfare system guaranteed. A 'no vote' could lead to isolation and endanger the Danish economy. Another strategy of the Danish 'yes faction' is to shift the debate to issues of human rights and culture away from economic issues such as the convergence criteria agreed upon in the Maastricht Treaty to usher in European Monetary Union, and foreign exchange rates.[8]

What makes this 'puzzle' of Nordic recalcitrance so interesting is that for the first time a large section of women voters hold the key to joining EMU. The question I want to pursue in this paper is whether the Gordian knot between the present construction of EMU with its aim to maintain rigid price stability and the Nordic promise to preserve the present level of social programmes can be maintained.[9] This assessment differs from many other feminist approaches to EMU and equal opportunity policy in that it combines a constructivist understanding of EMU with feminist political economy. There is an extensive literature on the equal opportunity policies in the EU and their impact on women in member states.[10] Much of the published works interpret European employment and equal opportunity policies within a narrow policy focus. Only a few feminist scholars situate employment policies within the larger context of economic globalization with its emphasis on deregulation and political disengagement from the economy.

Instead of a policy approach, the intent of this paper is to focus on the macroeconomic environment of the EU and analyse the effects of the institutionalization of EMU on the reconstitution of a new 'ordering rationality' (Rosamond 1999: 658) that regulates and constrains actors' behaviour and limits policy options. Most economic accounts have privileged a rational choice or neo-institutional account of EMU. Much less attention has been paid to the interest and identity forming roles of institutions. This paper stresses the active role of institutions in creating systems of beliefs and norms (Christiansen et al. 1999; Checkel 1999). A constructivist approach[11] is particularly well suited for pursuing the question of how European Monetary Union is involved in constructing identities and interests of member states and groups within them (Checkel 1999; Rosamond 1999).

The first part of the paper gives a short overview of the present debate on EU gender and equal opportunity policies. It concludes that present policy studies are too narrow in focus and suggests that the macroeconomic environment of EMU is essential to understanding both the limits and opportunities of labour market policies for women. However, the argument does not stop here. The next section goes on to interpret the EU as a 'strategic site of centrality' (Sassen 1998) in the global economy. Investigating the discursive construction of globalization and European integration, it will argue that EMU constitutes a new governance framework making member state governments more responsive to the discipline of market forces, and correspondingly less responsive to social democratic forces and gender-friendly processes. In the following section we focus on the 'content' of the new disciplinary governance framework by highlighting the effects of EMU's monetary policy on the creation of new norms and systems of beliefs that are much more commensurate with neo-liberal practice and discourse. The following question will be posed. What interests are legitimized by EMU's unilateral focus on price stability? Finally we return to the question of gender and equal employment politics. Utilizing the tools from feminist economics, three forms of bias are discussed that need to be avoided if macroeconomic policies are to promote equal opportunities for women and men in the EU. Failing to consider the social content of macroeconomic policy, it is argued, will make it difficult, if not impossible, to live up to the promise to maintain the Nordic model that the Danish and Swedish pro-EMU factions have made to their female constituency.

EU-EMPLOYMENT POLICIES AND GENDER POLITICS

Much of the feminist analysis on EU employment and equal opportunity policies has paid little attention to EMU and its institutional effects on social construction. Scholars have mainly stayed within the confines of particular policy studies. As a result, we have scholars who focus on EU labour market policies (Walby 1999; Cook 1998) and others who study the welfare state.[12] Only a few feminist economists have taken the context of the macroeconomic environment and macroeconomic policy framework in which policy programmes are implemented into account (Rubery et al. 1998). As a result, the dominance of the Maastricht convergence and stability criteria over issues that deal with employment targets and the resulting supply-side oriented measures contained in the employment guidelines are largely disregarded in policy studies.

The Maastricht criteria (signed in 1992) were established for individual member countries to enter into European Economic and Monetary Union by 1999 at the latest. Qualifying countries had to meet the following criteria:

1. general government deficits to be no more than 3 per cent of GDP;
2. Gross Public Sector Debt to be no more than 60 per cent of GDP;
3. long-term interest rates to be no more than 2 per cent higher than the average of the three member states with the lowest inflation; and
4. inflation to be no more than 1.5 per cent higher than that of the average of the three member states with the lowest inflation (Teague 1998: 119).

Fearing a 'soft' Euro currency, Germany insisted on an additional 'Stability and Growth Pact' signed at the 1996 Dublin summit. The intent of the Stability Pact is to secure fiscal prudence in a future Euro-zone by levying automatic penalties against members running excessive deficits. Governments with budget deficits greater than 3 per cent of GDP will be immediately fined.[13] As a result of the Maastricht Criteria and the Stability Pact, European Economic and Monetary Union has largely removed the scope for flexibility. In particular, countries experiencing a recession cannot run higher budget deficits in order to stimulate the economy. Insisting on the 2 per cent upper limit for inflation, countries are thereby locked into restrictive fiscal policies regardless of the capabilities and needs of member countries. In order words, the pact removes the capacity to pursue an independent counter-cyclical fiscal strategy in case of an economic downturn in economic activity (Soskice 1999). The European Central Bank (ECB) is only charged to guarantee price stability and not to ensure employment and foster economic growth (Huffschmid 2001).

The Amsterdam Treaty, signed in 1997 and amending the EC and EU treaties, did subsequently include provisions for a coordinated approach to employment policy. While the Maastricht Treaty committed member states to following agreed economic guidelines, this new treaty places obligations on every member state also to consider and act on the issue of employment in line with agreed common guidelines, although the commitments are looser and less tied to quantitative targets than the macroeconomic guidelines (Rubery 1998). In other words, EU policy making has been strengthened in the field of employment. Nevertheless, the Maastricht Treaty continues to stress that '(t)he primary objective of the ESCB shall be to maintain price stability. Without prejudice to the objective of the price stability, the ESCB shall support the general economic policies in the Community with a view to contributing to the achievement of the objectives of the Community as laid down in Article 2'.[14] Many scholars thus conclude that the European monetary policy rests on the assumption that monetary decisions have no influence on economic growth and employment policies (Huffschmid 2001).

Feminists have derived a more positive picture from the Amsterdam Treaty and conclude that with the treaty the EU entered a new phase of European employment policy characterized by a growing recognition of the importance of gender issues. However, feminists disagree about the impact of the EU equal opportunities directives on women in member states. Scholars who work in the tradition of welfare policy overwhelmingly conclude that the EU equal opportunity policies have a mostly limited impact, or are ambivalent at best in their effect on women (Ostner and Lewis 1995). In contrast, Sylvia Walby (1999, 1997) presents the strongest defence of equal opportunity laws and argues that the EU has made significant changes to the governance of gender relations.

In this argument between European welfare specialists and labour market analysts, we face two different policy foci. They draw on different political theories in regard to citizenship rights, and concepts of national sovereignty and the normativity that comes with them. In short, feminist welfare specialists connect social democracy with corporatism, while labour market analysts situate the issue of equal opportunities within a liberal framework. 'Welfare has tended to make demands on the state, offer collective solutions to dilemmas, and be dependent upon taxation. Equal opportunities needs a more minimal type of regulatory state, ostensibly offers a more individualistic solution, and does not require taxation' (Walby 1999: 60). Welfare policy analysts argue further that member states are an obstacle to the implementation of supra-national regulation. In contrast, Walby focuses on the power of European law and suggests that many feminists have underestimated its capacity to override national social regulation. The argument between welfare policy specialists and labour market analysts has provided important insights into different gender perspectives and approaches.

If we include a political economy approach, the focus shifts to the impact of the global macroeconomic environment that constrains both welfare and labour market policies. From this perspective, the Maastricht Agreements and EMU represent a dramatic shift towards a disciplinary neo-liberal discourse of capitalism to produce the conditions for global economic production (Gill 1998; Young 2000). The implications of all of this for a social and gender-friendly Europe that the Danes and the Swedes seem to promise their female constituency are at best contradictory. At worst, the promises are quite unrealistic. The deflationary macroeconomic environment resulting from the Maastricht criteria is counter posed to the social and employment guidelines enacted by the EU. Adopting the Maastricht guidelines has led to economic retrenchment in all member states, which has involved cutting, or at best stabilizing, welfare and social expenditures (Teague 1998). Given the supply-side measures contained in the employment policies, it is difficult to see how effective the EU will be in creating higher rates of employment and thus fulfilling the equal opportunity promises. Yet the equal opportunity employment agenda rests on the promotion of women's employment. The EU Commission has foregone, and even implicitly denied, any demand-side intervention in the economy. Instead, at the centre of the approach is a focus on the supply side. Improving the skills of the potential workers and facilitating easier access to the job market by providing childcare facilities is believed to promote the employment of women (Rubery 1998).

But here we confront a catch-22 situation. Women are entering the labour market in increasing numbers and the EU, rhetorically at least, encourages such a move particularly in the light of the Danish and Swedish recalcitrance to join EMU. At the same time, EMU creates the environment for a demand-constrained employment scenario. As Rubery (1998) has pointed out, these developments contribute to the problem of job shortage. To promote the employment of women in the absence of an active job-creating policy and in the context of a restrictive fiscal environment seems like trying to square a circle. Neither the employment guidelines nor the Joint Employment Report even mention the public sector as a vital promoter of women's employment and facilitator for labour-market integration, and yet it is difficult to see how, in the absence of the revival of the public sector, the private sector can generate the required job growth to absorb the increased labour supply. The strict monetary goals of the EMU and fiscal targets circumscribe the policies that are needed to promote the EU's equal opportunity objectives. In other words, the neo-liberal macro-economic environment shuts the door to a public sector employment strategy that, in fact, is the key to the Nordic equal employment model (Theobald 1999).

Concluding that the introduction of EMU is commensurate with a new neo-liberal governance framework tells us little about the forces that drive these processes. The next section will thus place EMU in the context of the political economy of globalization.

THE EU AS A STRATEGIC SITE OF GLOBALIZATION

The meaning of globalization is central to the argument pursued in this chapter. We want to find out to what extent a particular discourse of economic globalization shapes the European integration process, and how, in turn, discursive practices influence the creation of new norms, values and practices within the EU. In other words, how does a particular discursive construction of globalization set the boundaries for what is politically feasible within the EU? Which political strategies are thereby excluded, and which new opportunities are made possible? Political feasibility is understood not just as a question of objective and exogenous structures of the global economy. Political ability to act is a social construction, which is repeatedly redefined and constituted through a particular rhetoric of globalization. Defining globalization as a 'discourse of power' (Gill 1998) suggests that the present privileging of a particular reading of globalization is, as Hay and Watson (1998) have pointed out, only tangentially related to the realities of the global economy. Although a particular neo-liberal version of globalization has become hegemonic, this does not mean that alternative discourses do not exist that challenge the dominant assertions. The large demonstrations starting at the Ministerial Meeting of the World Trade Organization (WTO) in Seattle in late 1999 and in Washington, DC in the spring of 2000, continuing right up to the G-7/G-8 Summit in Genoa in 2001 and in Brussels at the EU-Meeting in December 2001, have shown that many oppositional narratives to globalization exist (Gill 2000).

In defining globalization as a 'discourse of power', a particular reading of the materialist constructivist approach is suggested that maintains that there is an inherent connection between the social construction of the external environment and the interests that actors acquire.[15] Unlike methodological individualism with its emphasis on rational actors that push the European integration process forward (Sandholtz and Zysman 1989),[16] constructivists focus on the complex effects of institutionalization in shaping both the actors expectations and in generating shared beliefs and norms within a policy context. In most economic analyses of EMU, the role of institutions in creating systems of beliefs and conventions play virtually no part (Christiansen et al. 1999; Checkel 1999). Realists assume that actors' interests are given. They arrive at this conclusion, because they assume a radical separation between subject and object (Kratochwil and Ruggie 1986). According to this logic, only objective forces have the power to influence the behaviour of actors. Constructivists on the other hand, attempt to dissolve the dualism between structure and agency. 'Agents' interests are not structured by their environment. They help to make their environment and their environment helps to make them' (Rosamond 1999: 659). Introducing an intersubjective meaning into the study of institutions opens a much-needed space to raise questions about the origin and reconstruction of identities, the impact of institutional rules and norms and of political discourses. In other words, constructivists suggest that not only interests but also identities are important in explaining political processes (Christiansen et al. 1999).

If we apply this insight of a norm-creating process to the establishment of Economic and Monetary Union, then we can argue that EMU is more than an economic project. The introduction of the Euro as a new European denomination has helped to create a world according to a particular neo-liberal logic, which then shapes actors' behaviour according to this logic. Starting with the Maastricht convergence criteria and the Stability Pact, we can argue that these organizational structures have supplied a new ordering rationality that has subsequently defined the structural boundaries in terms of its limits and opportunities for actors.

One of the most powerful insights that constructivists provide is the inseparability between (economic) structures and the social construction of norms. According to this interpretation, EMU is thus not only an important new institution that sets monetary policy for all member states. Both the EMU and the introduction of the Euro also help to constitute a new European identity. That money is involved in constructing national identities is not exactly a new insight. Karl Marx noted the close relationship between money and national identity. 'Money as money' functions not only as standard of value, as means of circulation and of payment, and as credit. Historically money always had an identity creating and a legitimating function in the development of modern nation-states. 'Money thereby directly and simultaneously becomes the real community, since it is the general substance of survival for all, and at the same time the social product of all' (Marx 1996: 232). The introduction of the Euro as an identity creating entity is no exception. Thus European Economic and Monetary Union can be seen as one, if not the central, constitutive moment of a common European identity.[17]

THE NEW RULES AND NORMS OF THE EMU GOVERNANCE FRAMEWORK

If we conclude that Sweden and Denmark cannot reconcile the promise to maintain the present level of the universal welfare system and join EMU, then we need to ask what role EMU plays in constructing new norms and conventions that effectively rule out a Keynesian-type demand management in the member states. In answering this question, it seems that the role of money and the definition of money in the neo-liberal orthodoxy play a central role. The role of money is important because at the centre of monetary union is the definition of money. As pointed out earlier, money is not just an abstract measuring device.

Much more important is the interest and identity forming effect that money generates. In order to explicate the norm-creating function of money, it may be helpful to compare the effects money, or more precisely monetary theory, has in Keynesian economics and also in neoclassical economics. The intent of this exercise is to show that the orthodox monetary theory espoused by EMU is based on assumptions that create norms favouring the interests of finance capitalism and contradict the Keynesian assumptions of a full employment economy.

According to classical theory, money does not enter into the 'real' economy. Neo-liberals have revived the classical orthodoxy about the 'neutrality of money' (Hein 2000), which assumes that money supply and the rate of interest on money have no influence on the real factors of the economy (such as employment, production, and economic growth). Money only has an effect on the level of prices. It was John Maynard Keynes in *The General Theory of Employment, Interest, and Money* (1997) who challenged the classical assumptions of money as something separate from the general theory of supply and demand. According to Keynes, monetary and financial policies determine changes in the scale of output and employment as a whole. It is this conflict about the neutrality of money on the one side, and the influence of money on real economic variables on the other, which is at the centre of the normative construction of the neo-liberal globalization discourses. Despite the existence of a large amount of quantitative econometric studies to justify one side or the other, statistics cannot solve the puzzle. It is a question of the basic beliefs and theoretical foundations that underpin the two contrary positions (Flassbeck 1999).

In this historic struggle among economists about the role of money, the question of the effects of these two divergent monetary theories is more important than who is right or wrong. Which shared norms, understandings and normative principles are mobilized and which ordering rationality is created that in turn shape interests and constrain the behaviour of actors within the global economy? If we follow the fundamental assumptions of an expansive monetary theory, then money has a double role in influencing the 'real' economy. First, the rate of interest on the money influences the path and the stability of wage income and economic growth. Second, monetary policy also has clear distributional effects. In the Keynesian growth model of the Fordist period after World War II, real wage rates were linked to productivity rates and to anti-cyclical monetary and fiscal policy. The Keynesian welfare state had the additional function of regulating demand and generalizing norms of mass consumption, and thereby contributing to full employment levels of demand. In addition, the Bretton Woods monetary system and the GATT trade regime meant that the circulation of free-floating international currencies stabilized Keynesian economic management through state control over the national money (Jessop 1994). In this Fordist model of managed economic growth, the level of interest rates played a major role in facilitating full employment policies. Monetary institutions pursued a policy of holding the real interest rate below the growth rate of the gross domestic product (Hein 2000). A national distributional consensus was thus secured through a corporatist male-dominated class compromise between capital and labour. Not only did the Keynesian full employment model ensure a certain level of economic stability, it also helped to foster an identity of national citizenship within the redistributional model of European social democracy.

In the present regime of a market-led global financial system, or what Giovanoli (2000) refers to as a 'private international monetary system', the geometry has been fundamentally altered. The drive toward deregulation and the creation of global financial markets has led to an increasing competition on the exchange rate markets. To avoid capital flight, interest rates are used to defend the national currency. In other words, the centre of monetary policy pursued by central banks has shifted to securing assets based on their own currency (Guttmann 2000a). With the transformation of the credit system from commercial loans to securities as the principal form of credit, we also witness a change in monetary policy of the central banks that favours the private commodity elements of money.

Increasingly, the social and the private dimensions of money are in conflict with each other. Money as a social institution reveals itself as both a public good and as a private commodity. It is a public good in that stable valuation and smooth circulation is in the interest of all. It is a private commodity inasmuch as it is created by private agents trying to gain income from financial activities. If the private-commodity elements of money become dominant, as is the case right now, the 'economic system suffers from all the negative consequences of money's commodification into a vehicle for bank profit—more pronounced cyclical fluctuations punctuated by financial crises, greater price instability, and widening income-distribution gaps between rich and poor as the result of increasingly unequal access to money and credit' (Guttmann 2000b: 5). The bias towards private capital investors has shifted the emphasis in macroeconomic policy to price stability and the control against inflation (Soskice 1999).

In this exclusive emphasis on price stability, economic growth as a policy goal is not pursued by the ECB despite the risk of an economic slowdown and an incipient recession that started to confront Europe in the second half of 2001. The reasons are many: the rise of oil prices has contributed to a reduction of domestic incomes as has the lack of productive investment that has had a dampening effect on demand. Foreign trade has been hit by a fall in exports since the end of 2000. The worldwide slowdown and the recession in the USA exacerbated by the attack on the World Trade Center in New York on 11 September 2001 has weakened economic activity in all major parts of the global economy. Also, an inadequate increase in wages has weakened the growth of private consumption. As a result, unemployment has begun to rise again in many countries, particularly in Germany since the beginning of 2001 and France since the summer of 2001. Inequality of incomes and regional disparities, which had remained high even prior to the recession, are again on the increase (Huffschmid 2001). Despite these unfavourable economic data, the 'EU-Broad Economic Policy Guidelines for the Member States and the Community (BEPG)' for 2001 have remained practically unchanged from those of previous years. In fact, the ECB raised its key interest rate six times in 2000 and hence contributed to a further decline in investment. Huffschmid has pointed out '(I)t is hard to conceive of a less productive or more harmful policy-mix than to fetter national budgetary policies to the Stability and Growth Pact and at the same time impose an unnecessarily restrictive monetary policy' (2001: 5).

The paralysis of European economic policy is in sharp contrast to the strong response of the USA. Facing a cyclical downturn the Federal Reserve Board (Fed) has lowered its interest rate ten times since the beginning of 2001. The rapid loosening of monetary-policy in the US—despite a rate of inflation above 3 per cent—has done little harm to the credibility of the Fed. The difference between the behaviour of the ECB and the Federal Reserve Board is this: the ECB punishes inflationary behaviour and fiscal looseness severely, and adopts virtually no stimulation in response to low inflation. The Fed is more even-handed, pushing up interest rates in response to inflationary signs, but bringing them down again as inflation subsides or as cyclical weaknesses appear (Soskice 1999). Unlike the ECB, the Fed has the double objective of keeping inflation low (without a maximum threshold being defined, as is the case in the EU) and preserving growth and full employment. In the ECB, there is no objective for growth or for employment. As a result, the small reductions of 0.25 per cent in interest rates in May and in August and of 0.5 per cent in September and November 2001 have come too late and have been too small to have any real impact on the economy (Huffschmid 2001).

If we compare the role of the Fed with the ECB after the shock of 11 September 2001, we witness, once again, the quick response of the Fed. It responded with a large budgetary package in the order of 1.5 per cent of GNP, decreased interest rates and increased wages (Herr 2001). In contrast to this rapid reaction, the ECB only lowered Euro interest rates by 0.5 per cent in September and November, with a small decrease in December. It did not—despite public demands from labour unions, social democratic and green parties, and small and medium firms—endorse a larger cut to counter the worldwide slow-down and the negative impacts Europe faced from the American recession.

The institutionalization of restrictive monetary policy signals a fundamental shift in the theory of money in the Euro-zone from a belief in the power of money to influence economic variables to a belief in the neutrality of money in neo-liberal discourses. However, this shift in monetary policy is not restricted to monetary and economic variables. The particular discursive construction of globalization in EMU has also supplied a new ordering rationality within the EU that helps to create a new world according to this rationality. Hans Tietmeyer, the former president of the German Bundesbank and one of the chief architects of EMU, expressed this new rationality very poignantly at the European University Institute in Florence in 1996:

> Therefore the fundamental truth holds: the members of EMU will only have a chance to solve their problems if the Euro remains stable over the long run . . . Because financial markets judge countries. They do not only look at the actual data, they also try to estimate how far a country is able and prepared to solve its long-term problems . . . Financial markets can punish an expansive monetary policy and an undisciplined fiscal policy from the start. They can disinvest capital from that country and charge a higher capital interest rate . . . The Monetary Union needs an implicit political 'quasi-union'. This means first the maintenance of a stability culture, and second the readiness of fiscal politics, if not to give up sovereignty, to regulate and set limits . . . The stability pact asks countries whether they are prepared to maintain the stability of the common currency at the expense of pursuing their own fiscal policies.
>
> (Tietmeyer 1996)

To invoke the power of neoclassical orthodoxy as the only reality for constructing the new EMU implies that the neo-liberal discourse of globalization and the construction of EMU are mutually constitutive processes. More importantly, the power of financial markets has been used, as Hay and Watson have pointed out, 'to act as an exogenous enforcement mechanism for domestic policies which aim to re-define existing notions of citizenship by limiting the state's role as guarantor of minimum social rights' (Hay and Watson 1998: 8). We can so far conclude that the Nordic promise to its female constituency to safeguard the present social and employment system cannot be sustained within the context of the restrictive monetary regime institutionalized by EMU. There is now the question of whether European citizens have to subordinate themselves to the dictates of the private commodity elements of money, or whether there is an alternative that would lead to a more gender-friendly Europe. This issue will be addressed in the next section.

A FEMINIST ALTERNATIVE: DECONSTRUCTING MACROECONOMIC ASSUMPTIONS

Feminist economists[18] have called for a paradigmatic shift to 'engender the macro-economy' arguing that gender is a major factor in reconstituting the 'new geography of power' in a globalized economy. From the perspective of a gendered political economy, markets and states are viewed as institutions imbued with structural power relations that have asymmetrical class and gender dimensions. Markets are 'embedded' in social relations, and cooperation, reciprocity, trust, redistribution, and care are vital to the functioning of any market economy. Missing from standard economic narratives, are the 'non-market relations' that structure all markets and are important for the conditions under which people come to the market. As Isabella Bakker reminds us, 'markets are as much political and cultural institutions as they are economic entities' (1994: 4). An engendered view of macroeconomics would not only include markets and states. It would also include social reproduction made up of non-monetized and non-market activities that provide the necessary conditions for production and exchange relations to take place.

As a first step in engendering macroeconomics, we need to *demystify* the economic rhetoric and ask whether the highly technical language in the Maastricht Treaty and in the Stabilization Pact signed in Dublin in 1996 is not also a weapon to fight against an alternative vision of globalization. Hans Tietmeyer and others may speak about the disciplinary effects of the market on nations. Yet we need to ask what 'prudent' monetary policy means? Who are the winners and losers from this finance-led globalization, and how can globalization and European integration benefit the many instead of the few? An emerging issue is the gender dimension of international financial markets, and feminist economists have started to articulate their ideas of how the global financial architecture has to be changed to provide alternative political spaces for inclusive class, gender and race relations.

Diane Elson and Nilufur Cagatay (2000) have, in their recent work, identified and critiqued three interlinked assumptions upon which macroeconomics rests.

1. The first is the deflationary bias: overemphasis on deflating the economy whenever the markets show any signs of rising inflation or whenever short-term capital is pulled out of mostly developing countries.
2. The second bias is the commodification bias: the bias that turns many public services into privatized commodities, to be sold to the public by newly privatized businesses, or to be delivered by a public sector operating on business principles and levying user fees for its services.
3. The third is the male-breadwinner bias: the assumption that women are dependent on males. Built on this bias are entire social service systems and tax systems that have created a 'two-channel welfare state' (Nelson 1990), carved out of a set of specific gender, race and class relationships. At an empirical level, the breadwinner model is breaking down in virtually all European countries. The important point is not its disappearance. Much more important is its continued reference system for economic theory. Virtually all economic theories to this date are based on the private/public dichotomy that is gender-based.

These three biases are mutually interlinked. For example, the commodification bias fuels the growth of financial institutions as pensions and health insurances are increasingly privatized; and the growth of financial institutions in search of high interest rates fuels the deflationary bias in monetary policy. In terms of the deflationary bias much has been said in the previous section on the negative distributional effects that are the result of the central banks' singular focus on price stability. Given that EMU does not have an equivalent EU fiscal institution, the member states have to subordinate their fiscal policies, as Hans Tietmeyer so clearly pointed out, to the restrictive monetary policy set by EMU. In other words, the macroeconomic policies do not only have a negative distributional impact in that social expenditures either decline or at best are stabilized at the present level. They embody a profoundly unjust social content in that they favour the financial interests at the expense of the majority of citizens. The development of a social welfare state was the major advance in social organizations in European development in the second half of the twentieth century. This welfare state has come increasingly under attack and it now faces some major challenges and pressures. Women, older people, ethnic minorities and children are particularly hard hit by the increasing privatizations of social policies. It is this scenario of growing inequalities and disparities, endangering both employment opportunities and social services, that has made Swedish and Danish women so sceptical about joining EMU.

Also intertwined with the deflationary bias in macroeconomic policy is the breadwinner bias. The particular Fordist compromise of the World War II period between capital and labour stipulated that the workplace and the 'family wage' were tailored to the needs and interests of the male worker and 'his' dependent family. It is true that the strong breadwinner models associated with the continental catholic societies are not found in the Scandinavian countries (Pfau-Effinger 2000). However, even in Nordic countries, labour markets are highly segregated into private markets mainly reserved for males, and a public market occupied largely by women. The important aspect of the breadwinner bias is its normative content that males have a 'natural right' to the role of breadwinner, and that women have to justify their labour market integration. As a result, economic narratives do not take into account the unpaid work done in the home by women, because this type of work is regarded as 'natural' (Becker 1974). Despite the massive integration of women into the labour markets since the 1970s, economic discourse and public policies have continued to draw on the separation between family and work (Young 2001a). Most importantly, economic models are still based on the breadwinner bias despite its sharp decline since the 1970s. In other words, economic decisions about the failure to integrate women fully into the labour market and pay them wages equal with men are still justified on the grounds that women are not the main breadwinners.

In addition to the deflationary and the breadwinner bias, there is also the increasing commodification discourse that is linked to the deflationary bias. Many public services are turned into market-based, and individualized services available to those who can afford them. These changes have produced new social hierarchies based not just on gender but also on class and race. The 'reprivatization discourse' (Fraser 1989) seeks to repatriate the economic and social to the domestic enclave. Reprivatization of the domestic means that many of the social services once again become part of the non-monetized private sphere. The commodification bias has thus fundamentally challenged the very notion of what is public and what is private. In the process, it has worsened gender-specific social divisions.[19] The growing participation of professional women in the labour market is accompanied by the largely 'invisible' development of a 'service class' that is involved in cleaning, as child caretakers, and in many other household-oriented service jobs. Growing numbers of migrant and immigrant women are involved in the informal labour market to provide these services. An invisible link has thus emerged between women's increasing participation in the formal labour market and the informal labour market roles of migrant and immigrant women. In the process of scaling back the social state, women have responded differently according to their social and class position. They may be forced to work double or triple shifts to accommodate these added care functions at the household level. For women in the lower skilled professions, the loss of publicly provided care services often makes the difference between seeking employment or staying home. In the case of business and professional women, they increasingly 'solve' the marketization bias by relying on inexpensive undocumented migrant women creating a new international division of labour at the level of the household. On the one side is the 'mistress' and on the other stands the 'maid', separated by different racial, ethnic, class and national belongings and backgrounds (Young 2001b).

CONCLUSION

The general scepticism voiced by Danish and Swedish women that by joining European Economic and Monetary Union the gender-friendly fiscal policies may become a thing of the past is certainly not unfounded. A Fed-style ECB would do more for European economic growth and stimulate demand to prevent an aggravation of the recession which is in full force right now. In fairness it has to be said that EMU is still a project under construction. The institutional structure, its operational dimensions, nor its functional scope are fully in place. Despite the 'institutional underdevelopment', the present construction of EMU provides a new constitutionalism (Gill 1998) which shifts the European social norms of a stakeholder society to a disciplinary market-based capitalism.

The triple bias of deflation, commodification, and breadwinner are built into the theoretical frameworks of economics. In terms of practice, the 'costs' of these biases are largely distributed along ethnic, gender and class lines. With globalization and European integration, the democratic aspects of economic decision-making have largely been moved to the transnational and international level and removed from the national level. Democratizing the process of macroeconomic policy making is, as Elson and Cagatay (2000) point out, a crucial element of a 'transformative' approach to macroeconomics. Transformative implies that democratizing the economic process is more than adding the 'social' or gender dimensions to the macroeconomic framework. It means changing the fundamental assumptions of macroeconomic policy in the context of global challenges.

Professor Dr Brigitte Young
Institute for Political Science
University of Münster
Germany
byoung@uni-muenster.de

Notes

1 'Buhlen um die skeptischen Frauen' (Courting the sceptical women), *Frankfurter Rundschau*, 12 September 2000, p. 2.
2 Ibid., p. 2.
3 Ibid., p. 2. The 'June movement' refers to the anti-EU movement that called for a rejection of the referendum on the Maastricht Treaty that was held in June 1993. The majority of Danes endorsed the treaty in 1993.
4 The Danish activity rate of women in the labour market, with Sweden and Finland, is among the highest in Europe: Denmark 78.2 per cent, Finland 70.4 per cent, and Sweden 73.2 per cent. European average activity rate for women is 58.1 per cent. *Eurostat 1998* (n.p.g.).
5 A solution was found during the discussions of the finance ministers of the Euro-twelve group. The Swedish finance minister Bosse Ringholm had to leave the room when issues of monetary and interest rate policies were debated. The chair of the finance ministers passed then to the Belgian finance minister, since Belgium was in line for the next EU-presidency in the summer of 2001.
6 For a detailed list of goals, see the Swedish website: http://www.eu2001.se.
7 'Im Zeichen des E. Unter Schwedens EU-Präsidentschaft geht es im kommenden Halbjahr um Eingemachtes wie Erweiterung und Euro' (In the symbol of E. During the coming Swedish presidency of the EU, the central issues tackled will be enlargement and the Euro), *Frankfurter Rundschau*, 21 December 2000, p. 6.
8 *Frankfurter Rundschau*, 12 September 2000, p. 2.
9 It is important to point out that other European countries, such as the UK, Ireland, Greece and also Spain benefit from the gender equality measures enacted by the EU. However, the traditional lower social protection in these countries should not be allowed to lead to a 'race to the bottom' of social welfare systems in Europe. Rather the goal for a 'social Europe' is to strive for the standards of Nordic countries.
10 See Walby (1999), Ostner and Lewis (1995), Rubery (1998), Hoskyns (1996) and Young (2000). For the different views on this debate, see Young (2000).
11 Social constructivism seeks to account for the identity and/or interests of actors. In addition, it attributes to ideational factors, including culture, norms, and ideas, social efficacy over and above any functional utility they may have, including a role in shaping the way in which actors define their identity and interests in the first place. Finally, it allows for agency to be not simply the enactment of programmed scripts, but also reflective acts of social creation, within structured constraints to be sure (Ruggie 1998: 4).
12 See Ostner and Lewis (1995), Elman (1996), Rossilli (1997) and Hoskyns (1996).
13 There are some exceptions to this automatic fine, if countries encounter a 'natural disaster' or if they experience a fall in GDP in excess of 2 per cent in the one year (Teague 1998: 125).
14 Maastricht Treaty, Art. 105, Par. 1.
15 See Ruggie (1998), Wendt (1992), Rosamond (1999) and Checkel (1998).
16 For Sandholtz and Zysman the driving force for the introduction of the Single European Market of the EU was the increasing economic internationalization and

the changing domestic constellations of the European nation-states starting in the 1970s (1989).

17 This assumption differs from many legal scholars who argue that the role of law and the European Court of Justice are in fact the constitutive moment of the European integration process (Jørgensen 1999, Shaw 1995; Weiler 1986).

18 See Bakker (1994, 1999), Elson (1995, 2000), Elson and Cagatay (1999, 2000), Beneria (2000) and Young (2001a).

19 The following argument is based on Young (2001a).

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