Governing Monetary Relations Through Risk: Transforming the European Monetary Union's Future By Reengineering Its Present

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Introduction

> As a basis for reconfiguring social and organizational relations, almost regardless of any demonstrable technical efficiency, audit functions as a norm or 'rationality of government' in Rose and Miller's sense. Accordingly, the significance of audit is not anchored in a 'definition' of its role. Indeed, it matters less what different audit practices 'really' are in some operational sense than how the idea of audit is appropriated and mobilized. Audit is a particular manner of *representing* administrative problems and their solutions, one that is becoming universal. (Power in Hopwood & Miller 1997: 299)

A common assumption found in finance economics theory is that profit is a direct product of "risk" (Simon 1995, Stiglitz & Boadway 1994). Support for this claim may simply involve focusing attention on the large flows of capital that investors gamble with on various financial vehicles, such as equity ownership in a corporation (stocks) or government debt (bonds). Furthermore, one may identify a segment of the capitalist financial system that actually "embraces speculation and risk as its *raison d'etre*" or what Peter Drucker would otherwise label as the "symbol economy" (Germain 1997: 131). Ultimately, however, it is currency that is representative of the value generated through either means. Appreciating that an analytical distinction exists between finance and money, the two may be considered as sharing an organic relationship. It is justifiable then to assume that monetary affairs are sensitive and susceptible to speculation and fluctuations (i.e. risk) in financial markets as well as in the real economy. Money markets for short-term debt securities exist where mechanisms operate that commodify currencies according to the principles of finance (Held et al, 1999: 208). Foreign exchange markets witness the sale and purchase of currencies functioning to transfer purchasing power, supply credit and minimize exchange risk (Shim & Siegel 1995: 151). In April 2004, these mammoth foreign exchange markets witnessed an average daily turnover of $1.9 trillion, "a 57% increase at current exchange rates and a 36% rise at constant exchange rates compared to April 2001", which far exceeds any international financial market (Bank for International Settlements 2005, http://www.bis.org/press/p050316.htm#pgtop). This popular presence of risk is reinvigorating forms of market economics that are becoming a common language of political programmes. Governmental technologies are increasingly constructing spaces where statistical predictions are employed both as a matrix of social organization and as a discursive tool. As opposed to treating risk as a monolith technology or ideology, as Ulrich Beck does (Beck 1999), a better understanding develops a genealogical approach. As such, this paper challenges conventional monetary economic narratives by asking how risk itself is constructed as a central coordinating social mechanism by the architects of the European Monetary Union (EMU)? Here, risk is understood as a complex category reflecting how particular issues are problematized for the purposes of governance. It is a way of ordering reality that disciplines national authorities and is institutionalized in policies and agreements, such as the Stability and Growth Pact (SGP). Acknowledging the fact that certain states are flaunting this latter directive, my contention remains that the European System of Central Banks (ESCB) still exerts a substantial disciplining force at various periods of time, which compels many national governments to adhere to policies supporting its primary objective of price stability. Through its organizational and discursive functions, risk is used to imbue social phenomena with this specific meaning.

With the introduction of the "euro" on January 1, 2002, Europe finally has a common currency after a long and tenuous process that has been culminating for decades (Werner Report of 1970). However, deciphering its future trajectory has become more complicated and not only in light of the role that risk plays in foreign exchange markets. Its adoption is creating a novel monetary space with an unquestionably indeterminate future. As Loukas Tsoukalis notes, “the architects of EMU have produced a structure of arguably post-modern inspiration: a centralized monetary policy which operates against the background of a highly decentralized fiscal policy and an even more decentralized political system” (Tsoukalis in Wallace & Wallace 2000: 173). This high-risk strategy is neither linear nor guaranteed in its development. Rather it calls for a re-imaged spatial-temporal configuration of governance to adequately capture how political authority is practiced in a multilayered and multinodal polity. Risk, as a particular mode of governing, is instrumental in examining the changing governmental perceptions of the problem of European monetary management.

Although “the rules versus discretion” dilemma, and what Benjamin Cohen labels as the “Unholy Trinity” (the incompatibility between stable exchange rates, national policy autonomy and capital mobility) may be superceded through EMU, risk remains at the forefront of monetary governance (Cohen 1998: 56). Such is the case because the transformation of Europe’s monetary relations demands the reevaluation of how this new emerging spatial-temporal order is problematized as a programmable and integrated sphere using calculative modes of thought. This implies competing political rationalities “within which the exercise of power is conceptualized” along with “notions of the appropriate forms, objects and limits of politics” (Miller & Rose 1990: 175). Analyzing risk as the reflection and the articulation of political rationalities provides insight into how the euro is itself a social constitution and situates it as an object of government. As such, employing governance nominalistically, rather than as a totalizing theory, this paper asks how European monetary relations are constructed and understood as a particular knowledge and how their conduct is organized through technologies of risk? Specifically, how is "auditing" as a technique of risk, deployed to render this field a territory of government? Having established how the EMU space is created through the government of risk, the effect of doing so will be evaluated. Drawing on Foucauldian inspired governmentality studies, I posit that the euro is configured through the exercise of power defined as the knowledge and command of an emerging spatial-temporal order, which is itself the product of multiple governmental technologies, especially risk.

To explain how the EMU as a space is problematized and constituted through the rationalities and technologies of risk, this paper follows five sections. First, I expand on how the EMU embodies a different kind of space since it is organized as a "network" rather than a territory. I proceed to demonstrate the inferiority of conventional risk theory in capturing the movement to a novel monetary space. The drawbacks of Beck's "risk society" will be addressed. Traditional IR literature rooted in the problematics of state sovereignty, which privileges a rigid dichotomy between intergovernmentalism and supranationalism will also be critiqued. In their place, I propose an analytics of governmentality approach that advances a meso-level perspective assuming that a reorientation of thinking about EMU as technical expertise (auditing), actualized through networks, matters more for understanding political problematizations of EMU than *a priori* notions of national interest (Rose 1999: 21). Next, I turn to the management of monetary relations through the technology of risk. "Auditing" is identified as a risk communication system that is moral, political and technical in nature. The ECB, in conjunction with national central banks (NCB) and Eurostat (the Statistical Office of the European Communities), fulfills this information gathering and reporting role for the EMU.

Concluding, the paper seeks to discern certain effects of governing through risk. A disturbing tendency points to the reconfiguration of social and political life as auditable and commodified.

Network Polity

Arguably, European integration has helped to problematize the territorial basis of governance. This demands a reorientation in how Europe's social and economic relations are conceived and acted upon; namely, how it is governed. Here governing is used nominalistically rather than as a theory. In this respect, governing is always spatialized and temporal since it defines the area, both geographical and discursive, where and time when its authority may be exercised to achieve particular objectives. Accordingly, "power now has a new form: the knowledge and command of space" (Mitchell 2002: 90). Governing space means exercising power over the objects within it. Thus, space is one of the central concepts used in relating politics to territory. Defining boundaries and rendering what is within them visible is itself productive of new power relations. This is how the EMU has gained prominence as an authority. The spatial-temporal reorganization of Europe works to redefine power dynamics. At once, space (and time) lends itself to an organizational function as well as a discursive one. In the first instance, space is a matrix of social organization that extends political power over an area. The second function that space serves is as a discursive tool. Being able to conceptualize space as knowledge and then operationalize it as discourse allows for the constitution of a political system. Discourses enable and constrain practice as they alter the meaning assigned to phenomena. Hence, the new spatial imaginary of EMU creates new narratives imbued with specific meanings about how to organize this emerging order. Though the structural dimension of the EU may not be as cohesive as that of the nation-state, “its norms, which are specific, detailed, extensive, justiciable constitute a legal order in its own right” (Clarkson 2001: 514). Programmes of economic liberalization and monetary unification create the possibility for the constitution of a distinct spatiality of networks where the state is a participating unit but not the hegemonic entity.

Decentring the traditional authority of the nation-state through this shift to EU integration involves analyzing how particular programmes and discourses are deployed to establish the European monetary space as a governable entity. One such method is thinking of the EMU as a community of overlapping networks of interaction. Being organized around multiple sites and forms of economic, political and cultural power that are not necessarily rooted in the sovereignty of the nation-state, networks help understand the changing spatiality of governance and power in the EMU. These networks transmit values across political boundaries and social spaces. This metaphor of nonlinear and discontinuous networks allows one to appreciate the interconnected and multilayered organization of European monetary relations without subjecting explanation to nation-state sovereignty.

Networks, like other organizational forms, can be put to multiple uses under diverse conditions. One may have surveillance, policing and even railway networks. What makes this representation a more apt analytic than state-centric/federalist ones is that the “Eurosystem” (denoting the European Central Bank (ECB), National Central Banks (NCBs) of those Member States that have adopted the euro) is dispersed and hierarchical in a manner unlike the state system. It has no legitimizing anchor in sovereign borders, nor any need for them as flows of market transactions move wealth and thus power around various sites without reducing power to state territoriality. Moreover, there is a serious attempt by the ECB and NCBs to insulate themselves from the pressures of national governments. How successful this actually may be is open to critique. What is more certain, however, is that the euro involves a new "monetization of time-space, rendering the future calculable" (Pryke & Allen 2000: 265). It is the management of currency risk through the deployment of techniques, such as audits, that changes the perception of the euro and how it can function in this evolving spatial-temporal order. The space begins with the European common market but extends to financial systems (regional and global) since the exchange rate influences security prices. Hence, the representation of the EMU as a network polity of overlapping channels of interaction gains credence as a hierarchy of linked sites of governance and power is revealed. Reconfiguring the impact of risk with the introduction of EMU also adds a temporal dimension as future prices and values are connected to present decision-making processes.

Networks are simultaneously technical, organizational and spatial, providing a link between politics and territory, which is at the centre of governance (Lash 2002: 20). As opposed to resting on the principle of "embeddedness", which is associated with territorial sovereignty, networks are more conducive to the notion of "interconnectedness". In this manner, "Europe is understood as a space which could be constructed through a series of specific competitive and co-operative networks-of both persons and objects" (Barry 1993: 54). Historicizing the EMU is vital in order to appreciate that it is not a linear process but a transforming order influenced at different times by specific governmental programmes and discourses. Three key characteristics of networks allow one to distinguish different historical forms of European integration. In his research on networks, David Held identifies these three as being:

> (1) the extensiveness of networks of relations and connections;
> (2) the intensity of flows and levels of activity within these networks; and
> (3) the impact of these phenomena on particular bounded communities (Held in Ericson & Stehr 2000: 45).

Frequency is a determining factor of both the degree of extensiveness and intensity characteristic of a network. Should these qualities translate themselves into the power to govern, affecting a range of monetary, as well as social, relations planes, then identities begin to be reconstituted because of these very interactions. This occurs as frames of meaning change. Hence, one of the benefits of reimagining Europe in this fashion is that it provides a more systematic understanding of the organization of monetary relations (Axford & Huggins 1999: 186). It reinforces the contention of a dialectical relationship between the discourse and practice, which will be addressed shortly.

Monetary relations are exemplary of "socio-technical" links where actuarial/expertise knowledge shapes the cultural and intersubjective aspects of life. Given its distance from democratic oversight, the European System of Central Banks (ESCB) operates as a dispersed network, which transcends national boundaries and is immune from political interference as stipulated in Article 108 of the Treaty on European Union (TEU) (http://www.ecb.int/ecb/legal/pdf/treaty_eu_en.pdf). However, this does not signal the demise of the nation-state. A more favourable approach recognizes that "the study of European integration is moving into a post-ontological stage as scholars are less concerned with how to categorize than how to explain process and outcome, paying less attention to 'the nature of the beast'"(Caporaso 1996: 30). Yet, relativizing conventionally held ontological certainties, such as the state, does not completely discount the notion that the state remains a force in EU governance. Most post-territorial arguments fail to explain how subjects can exist without some sense of attachment to a given location (Axford & Huggins

1999: 174). More appropriately, as Clarkson submits, the spatial-temporal order of the state is “reconceptualized as a set of interconnected jurisdictions that stretch from the local though to the global” (Clarkson 2001:504). Saskia Sassen agrees that we are not witnessing the end of the state but rather its repositioning “within broader fields of power” (Sassen in Ferguson & Jones 2002: 174). Networks are such fields. What is important to remember, however, is that these spaces/fields are a fact of social construction of EMU architects and not ontologically prior. Hence, the EMU is not a new unproblematic container simply to be filled but rather a set of practices and discourses deployed for specific governmental purposes. Underlying this set is the valorization of currency risk and the disciplining effect it has on members of the Eurosystem (Maurer 2002: 16).

Discourses of Risk Government

Risk is itself a contentious term that deserves further extrapolation. Without doubt, consensus around a single definition is improbable as risk is constituted by perceptions and these vary. Hence, historicizing risk is a necessary exercise. Probably the most common usage of the word involves minimizing the potential of damages through instruments such as insurance (Ericson et al. 2003). In the field of monetary economics, the elimination of currency risk encourages savers to seek higher deposit rates while investors hunt for lower rates to finance their enterprises. Predictable exchange rates are also in the interest of those actors who engage in cross-border transactions, as relative prices of goods and services are more stable. Frieden submits that “those involved in cross-border investment, traders and exporters of specialized manufactured products all tend to favour exchange-rate stability to reduce the risk associated with their business interest in other countries” (Frieden 1996: 203). With respect to currency options markets, actuarial functions like the “risk-neutral density" (RND) are deployed to gauge the market's assessment of future currency movements (Castren 2005: 5). Yet, as valuable as these notions of risk are, they fail to capture a broader understanding of how it is incorporated into the way we think about governing. Beck observes that the "concept of risk reverses the relationship of past, present and future…as the past loses its power to determine the present" (Beck 1999: 137). Now the focus turns to transforming the future by reengineering its present. However, Beck's "risk society" omits a striking paradox of risk and is rather bleak since risks become "objectified negative images of utopias" (Beck 1992: 49). Dangers are omnipresent and these conditions may only be alleviated if things do not change since plans of action are based on past regularities retaining their consistency. The irony is that the more we know, the more we are at risk. Therefore, risk society "discourse cultivates insecurities, focuses them on scapegoats, and forces people to accept expert knowledge of risk- a knowledge that creates new insecurities- as the only viable solution" (Ericson & Haggerty 1997: 86). This interpretation of risk is ideological and saddles EMU studies with an unnecessary burden of skepticism.

Whereas Beck or someone like Anthony Giddens believes that the risk society has displaced the "industrial society", a convenient strategy would extend this line of argumentation and posit that the former is now being replaced by a "network society". This argument is forwarded by Manuel Castells who identifies a hierarchical chain of linked sites that restores order to the volatile world. Linear links are established between these terminals according to the logic of instrumental rationality (Castells 1996). As complementary as the complete acceptance of such a thesis would be to the position taken in this paper, it still advocates a new social form, the network society. Ontological claims, however, are of little utility when discussing the risk management of money since, as alluded to above, it is founded on shifting perceptions of how to govern at any period in history. There is nothing static or implicit about money. It is a social construction meant to overcome the effects of frictions, such as the transfer of wealth or double coincidence of wants. Furthermore, aside from being static, the network society, as envisioned by Castells, privileges the displacement of disciplinary forms of power by actuarial techniques. A similar sentiment is echoed by Jonathan Simon (Simon 1988). Yet, a better understanding of risk is as a calculable rationality and technology of government that organizes reality according to principles of probability. Dean captures this understanding by defining risk as:

> a set of different ways of ordering reality, of rendering it into calculable form so that it may be governable in particular ways, with particular techniques and for particular goals. It is a component of diverse forms of calculative rationality for governing the conduct of individuals, collectives and populations. It thus not possible to speak of incalculable risks, or of risks that escape our modes of calculation, and even less possible to speak of social order in which risk is largely calculable and contrast it with one in which risk has become largely incalculable (Dean 1999: 177).

Thinking about risk in this manner allows one to appreciate the heterogeneous forms of power as productive forces that act upon conduct. Foucault reminds us that:

> We must consequently see things not in terms of substitution for a society of sovereignty of a disciplinary society and the subsequent replacement of a disciplinary society by a governmental one; in reality we have a triangle: sovereignty-discipline-government, which has as its primary target the population and as its essential mechanism apparatuses of security (Foucault 1979: 19).

Subsequently, in the beginning of the twentieth century, the “economy” replaced the “population” as the object of government. As Timothy Mitchell suggests, this should be recognized as a question of thematic boundaries. It is “a complex distinction internal to these realms of practice” that produces particular objects of knowledge and a political and social order (Mitchell in Steinmetz 1999: 83). Understood as an artefact, the economy may be explored for all the historical processes that create it. Risk is one of these techniques that is central to the constitution of the EMU economy.

Spatial Reordering

The representation of space must also be problematized. Governing is always spatialized since it defines the area, both geographical and discursive, where authority may be exercised to achieve particular objectives. It is a heterogeneous field made intelligible by analyzing “the strategies, techniques and procedures through which different authorities seek to enact programmes…to regulate decisions and actions…in relation to authoritative criteria (Rose in Barry et al 1996: 42). Auditing, as will be demonstrated, is just such a technology of risk associated with the EMU. Moreover, as stated, space is one of the central concepts used in relating politics to territory. It allows us to make social phenomena manageable by creating a relationship between thought and practice. Referring to Agnew and Corbridge:

> Spatial practices and representations of space are dialectically interwoven. In other words, the spatial conditions of material life are shaped through their representations as certainly as representations are shaped by the spatial contours of material life (Agnew & Corbridge 1995: 47).

Given the role that space plays it is foolish to discount the significance of territory altogether. Conversely, granting excessive credence to territory and its principle of sovereignty, *a la* realism or liberal intergovernmentalism, is equally damaging for deciphering the course and governance of EMU.

The nation-state may be considered a historical construct of the modern period that is being challenged by the emergence of the supranational EU. European integration is helping problematize the territorial basis of rule and requires an alternative way of conceptualizing governance that is not rooted in the territorial sovereignty of the state. In the first instance, realism's preoccupation with issues of distribution and its belief that morality is the product of power and material interests often restricts analysis to an ontologically prior conception of the nation-state with clear and precise borders where sovereign power is legitimated and exercised (Morgenthau 1948). But what this effectively does is neglect the disciplinary form of power, which operates in the EMU as a normalizing force. It must be remembered that neither the value of the euro nor risk itself are tangible, material things. The former is partly constituted through a "sound money" discourse of a low inflationary bias, initially championed by the German Bundesbank, that legitimates a central role for bankers and capital in shaping values and behaviour (Dyson & Featherstone 1999: 12). The effect is "the successful marketing of risk management products requiring cultural parameters that see it as morally and economically compulsory" (de Goede 2004: 199). As will become apparent in the following sections, audit is a risk communication system with technical, political and moral properties that helps entrench the sound money narrative and policies.

Turning to liberal forms of government, Andrew Moravcsik's liberal intergovernmentalism promises an account of the real Europe (Moravcsik 1998). His first premise is that economics, not geopolitics, is the foundation of national interests. Recognizing that territorial sovereignty is not the essence of politics, his research program may be considered more progressive than the various faces of realism. However, Moravcsik's explanatory power, in regards to the EMU, diminishes once his second hypothesis is revealed. To explain how European integration occurs, he dismisses the "institutional architecture of EU as heavy and dull" thereby rendering historical and supranational entities as negligible (Moravcsik 1999: 372). Instead, he vests the weight of explanatory power in governmental bargaining, which basically translates into games theory for a liberal. Obviously, he is correct to elucidate that nation-states have a significant role in the construction of the EU. Where he errs is in transposing this reasoning to the EMU. Although established by member states the European Central Bank (ECB) as part of the broader ESCB is outside the direct reach of intergovernmental affairs. As mentioned above, the principle of central bank independence demands this and member states have entrenched their promise of non-interference in the Maastricht Treaty. Though at times this may be undermined, it still remains a fundamental pillar of monetary union. Moravcsik's exogenous interests, as questionable as they are, do not apply to here as his framework refuses to acknowledge the social construction of monetary discourses that are not framed through the nation-state. On the other hand, an analytics of government is sensitive to the conceptual and practical constitution of a monetary space for non-territorial communities while not abandoning the nation-state altogether. Rather, it repositions states within broader networks of monetary and power relations. They remain an object of government and monetary policy is still based on national economies but it is also being constituted in relation to a larger European common market. The "outcome is an emergent new spatiotemporal order that has considerable governance capabilities and structural power" (Sassen in Ferguson & Jones 2002:182). Networks help eliminate the need for rigid dichotomies between the supranational and the intergovernmental levels of government. What is important to remember, however, is that these spaces or fields are a fact of social construction and not ontologically prior entities. Hence, they are not unproblematic containers but technologies and discourses deployed for specific governmental purposes by the ECB and its affiliates. Defining boundaries and rendering what is within them visible is itself productive of new power relations but Moravcsik's intergovernmentalism is oblivious to this.

Analytics of Government

A common fallacy committed by traditional schools of thought, such as realism and liberalism, is the concentration on the outcome or the final object rather than the practice itself. As opposed to tackling the problem of governance at the nexus of power relations, they opt to "reify objectivizations as if they were natural objects" (Veyne in Davidson 1997: 161). Contrary to the predictable outcomes offered by these theories (i.e. control occurs at the level of the state) the governmentality literature concentrates on discipline, sovereignty and power in the contested production of modern subjects and rationalities underlying the spatial-temporal organization of the "economy". In other words, analytics of government focus on how the "economy" is constituted as an object of knowledge and how its "space, movement, sequence and position" are manipulated by technologies of power (Mitchell in Steinmetz 1999: 86). Through the practice of rationalities of rule, it becomes its own field of knowledge and intervention. It is imagined as a field of forces "governed through systematic properties as levels of demand and rates of unemployment" or exchange rates (O'Malley 2004: 59). I use "economy" and "money" interchangeably here but given that each may be attributed with its own set of unique mentalities and techniques of rule, a justification exists for delineating between the two as is done with the "population" and "economy". That, however, is outside the scope of this paper.

Different technologies of government do produce various effects. Contemporary "advanced liberalism" tends to promote a particular set of rationalities and techniques of rule that shift authority from the auspices of the "social state" to an "enabling state" (Rose 1999: 142). Advanced liberal government:

> depends on expertise…and connects experts differently into the technologies of rule. It seeks to degovernmentalize the State and to de-statize practices of government, to detach the substantive authority of expertise from the apparatuses of political rule, relocating experts within a market governed by rationalities of competition, accountability and consumer demand (Rose in Barry et al 1996: 41).

A charge leveled at Rose is that he seems to conflate advanced liberal government with practices in Britain in the 1980s under Thatcherism. Although this is an interesting observation, what it omits is how these circumstances have been embodied in thought, structuring the very parameters of political debate. Essences are not at issue here. Introducing governmentalities two main aspects (rationalities and technologies of government) helps explain the value-added of approaching social phenomena (which includes the monetary domain) from this perspective.

Rationalities of government, otherwise known as political rationalities, attempt to make the world manageable by examining practices "for the formulation and justification of idealized schemata for representing reality, analyzing it and rectifying it" (Miller & Rose 1992: 179). Such a process allows for the formulation of deliberate governmental programmes targeting specific spaces and objects. Constructing the EMU as a field of knowledge, according to a logic of expertise that uses auditing as a social technology for the purposes of governing is its "objectification" (Foucault in Burchell et al 1991: 57). Its possibilities are defined by the way it is framed in discourse. The "sound money" narrative with its tenet of price stability is exemplary of the dominant discourse adopted by the ESCB. It is the institutional construction of knowledge or representational frameworks. The ESCB's "technical apparatus of inscription renders objects into discourse, providing conceptual forms that make them subject to regulation" (Ericson & Haggerty 1997: 84). On the other hand, technologies of government are the clusters of methods and strategies through which governmental ambitions are realized. Analytics of government are interested in the "articulation of such technologies and rationalities of government" (O'Malley 2004: 13).

Understanding governmentality as a perspective on practices and paying less attention to 'the nature of the beast", begs the question of why the euro should be problematized in the first place (Caporaso 1996:30). Deconstructing monetary relations has three primary benefits. First, money is the ultimate expression of political power relations. Money matters because it has a direct influence of the form and degree of power available to those that seek to rule. The risk of the depreciating status of the US dollar shifts attention and investment to the euro while in the process disturbing US economic hegemony to a degree (*The Economist* 2005: 72). The governmentality approach provides a better evaluation of how power is exercised and manifest than either realism or liberal intergovernmentalism by concentrating on several characteristics of monetary networks and relations that the other two either ignore or take for granted. David Held identifies the "extensiveness" of networks and "intensity" of flows of power within them as fundamental determinants of power. Coupled with their impact on bounded communities monetary networks are capable of changing power configurations and the identities of subjects (Held in Ericson & Stehr 2000: 45). Second, money is intrinsic to wealth creation and societal welfare. Value is always represented by currency and people are the intended benefactors of government programmes. Lastly, problematizing the euro reveals its positive characteristics as opposed to simply defining it in negation to other currencies like the dollar or yen. Being recognized as possessing certain properties (i.e. purchasing power) renders possible new practices of government and claims to expertise associated with the euro (Mitchell 2002: 83). Thus, it becomes an object of knowledge immanent to the plane of technologies of power. A primary strategy for transforming the euro into such an object of government is risk and its technology of auditing.

Government Through Risk

Having established why a genealogical analytics of government is a useful approach by focusing both of rationalities and practices of government, the following section will proceed to examine how risk as a specific mentality and technology of rule works to construct a novel monetary space as a governable entity. Mitchell Dean’s above definition of risk as a probable and hence calculable estimation of an indeterminate future still holds. It is a question of “governing in terms of aggregate futures, frequently in terms of objective measures and especially statistical probabilities” (O’Malley 2004: 13). However, it is not something that is real in a tangible sense but the perception of how susceptible certain objects (and how subjects view themselves) within a space and time are to identifiable factors. Often these are “enclosures within which expertise could insulate themselves from ‘political interference’ in the name of ‘professional autonomy’” (Rose 1999: 153). Pat O’Malley, who is a leading scholar on the topic of risk and government, makes a further analytical distinction. He juxtaposes “risk” with “uncertainty”, describing the latter as the government of the incalculable but possible. Uncertainty may simply be regarded as another way of thinking about government (O’Malley 2004: 173). Nevertheless, these are not rigid ideas with inflexible conceptual boundaries. There is substantial overlap and a binary opposition between the two is not necessary for understanding the EMU. What shapes how they are actualized in political programmes is their appropriateness to particular objectives of government.

Monetary relations necessitate the constant communication of economic variables to facilitate the formation of proper policy. This relay of information is made all the more imperative since the EMU is not an optimal currency area (OCA). It lacks the necessary adjustment mechanisms, such as fiscal transfers or labour mobility, to deal with external shocks to the multiple, national economies that comprise its common market. Flexible exchange rates usually compensate since they are easier to adjust than domestic prices or wages but the EMU has irrevocably fixed its nominal exchange rates (Gros in Frieden et al 1998: 53). This is the typical economic argument that warns how risky the EMU project is. Yet, as stated, EMU risk is not merely a technical matter. It is a governmental invention visible in programmes that are the outcome of moral and political struggles. For example, the sound money narrative is representative of a struggle to impose a certain approach as opposed to other ideas. A low inflationary bias influences the process of forecast targeting by the ECB. "Audit" is one of the primary technologies of risk that targets economic and monetary variables. It is the institutionalized collection and classification of behaviour according to established standards. These procedures are used to manage operations as they produce detailed reports about the plans, activity and outcomes of members. The indicators make the policy problems much easier to handle since they are often numerical.

Deviants that do not meet the targets are identified and sanctioned. However, what is revealing about audits is that they produce a disciplining effect that pressures members to conform without having to resort to direct coercion. Without doubt, the clearest example of auditing, the Stability and Growth Pact, is being transgressed by countries such as France and Germany. Nevertheless, other economies like Belgium have conformed to its budget deficit criteria posting – 0.4% (*The Economist* 2005: 101). Developments such as this point to the fact that governmentality is not meant to replace other theories. Rather it explains monetary conduct from a different perspective on how to rule. In the process, however, what were previously mainly socially and politically defined spaces are now recentred around a common set of actuarial classifications. Compiling statistical data is the mandate of the ECB and NCBs. Together with Eurostat the division of labour functions according to the "subsidiarity principle" (policy should be enacted at the lowest operational level) and is stipulated in the March 2003 *Memorandum of Understanding on Economic and Financial Statistics* (http://www.ecb.int/ecb/legal/pdf/en_mou_with_eurostat1.pdf). Defining monetary relations in this fashion transforms heterogeneous national and supranational entities and practices into probabilistic calculations. It enacts a disciplinary as well as actuarial form of power on member conduct, which compels national fiscal balances to converge, with the occasional exceptions. Without doubt, this is not a perfect nor uniform process as is witnessed by the violations of the Stability and Growth Pact but auditing it is a reinforcing technology of government without which the costs of a single currency would be intolerable if not impossible.

Audits as forms of managerial device exemplify a modality of government that supports Nikolas Rose's notion of advanced liberalism. They are techniques for subjecting political, often democratically elected authorities to a critical evaluation by forces that are their opposite. The ECB is far from democratic and removed from the direct scrutiny of the electorate's representatives. Again, turning to the Belgiums, we notice what exponents of monetary discipline they have become partly as a result of the normalizing forces of EMU targeting. Accordingly, audits are "responsibilizing technologies…with an emergent organizational logic in which 'auditability is an uncontestable value" (Power in Hopwood & Miller 1994: 303). It destabilizes existing hierarchies of control by subverting them to rationalities of risk. Moreover, this is not purely a functional development. It is a change in how the architects of the EMU think about rule, which seeks to invent the evolving EMU space and time through actuarial instruments under the auspices of expertise. Thus, risk:

> ceases to be a literal depiction of the world that provides objective indicators of future harms. Instead it emerges as a diverse family of ways in which certain choices are presented to us, and through which practitioners of particular kinds of expertise define the future. Risk assigns us to categories, creates divisions among us and incorporates us in diverse solidarities of fate (O'Malley 2004: 181).

Four chief kinds of statistics are published by the ECB in this endeavour. The first gathers information on money aggregates and financial markets used to monitor things like banking integrity. Balance of payments form the second category as the lessons of the "snake" crisis in 1973 are still fresh in the mind of monetary officials. Lastly, financial account and government finance statistics comprise the final two types (http://www.ecb.int/stats/intro/html/index.en.html). The communication of these variables signals transparency to the markets and aids in the reduction of risks, such as currency speculation. Yet, it is the subordination of political authority to the technology of auditing and its underlying premise of economic efficiency that imposes upon the EMU a culture of expertise with potential depoliticizing effects for the entire project European of integration. Keep in mind that this subjection is not total as socio-political matters may trump monetary expertise, Germany being the prime example. Coupled, however, with increasing market competition and new financial instruments, such as hedge funds, a culture of risk is developing that disciplines authorities while recoding how space and time are perceived.

As an organizational and discursive tool, risk produces certain adverse effects. Classifying monetary relations beyond public comprehension and debate effectively privileges economic based rationalities of governing over their social or political counterparts. This leads to the commodification of life, as citizens are constituted as consumers or entrepreneurs with the euro as the symbol of this reconfiguration. It is not that these actors are now imbued with an intrinsic nature of some sort. Rather, as consumers their identities begin to reflect traits for the market system as they are conceptualized by government according to a market logic and thus susceptible to contractual forms of relationships and technologies of rule (Rose in Ericson & Stehr 2000: 111). The potential exists that may disturb their affiliation to Europe defined along state or ethnic lines. Although the latter factors still retain power, they are progressively perceived as antagonistic by the ESCB to the actualization of a credible and efficient monetary space of relations. This rationality of government pits economic/monetary goals against social or political ones. Excessive government spending on social programs causes states to exceed the 3% budget deficit criteria and undermines the credibility of the EMU. Moreover, such a hypothesis is not easily discarded since it complements the central institutional pillar of EMU, that of price stability. Assigned with the task of defining the precise meaning of this principle the ECB has adopted a narrow policy of maintaining inflation rates of below, but close to, 2% over the medium term irrespective of its effects on the real economy (i.e. unemployment) (Garrett in Eichengreen & Frieden 2001:114). With price stability as the ultimate goal and highest on the hierarchy of values, social and political rights are in danger of being relegated to a secondary and inferior status. Arguably, it will be the actualization of economic/monetary directives that is necessary for the realization of practices in the other two domains. Audits and actuarial technologies are often market oriented by design so their dissemination only works to embed advanced liberal market rationalities at the expense of social democratic dimensions. Based on fragile and risky economic fundamentals, such as a violated SGP, this shift trumpeting an advanced liberal form of government may prove disastrous for "an ever closer union" as it jeopardizes the realization of greater political unification. Undermining the social fabric of society and political practices by comodifying and subordinating them to market rationalities diminishes the possibility for a political union as Europeans retreat from an oppressive force that is removed from their control. One potential remedy would be the constitution of a broadly accepted European monetary identity, which would make the costs associated with EMU more tolerable. The feasibility of that, however, is yet to be determined. In the meantime, European integration must strike a balance between social, political and economic forms of government.

Conclusion

Recent developments in the architecture of Europe's monetary space have demanded the reevaluation of political power and the governance-function. The EMU's exact trajectory remains indeterminate but a new space-temporal order is being constructed where power relations are visible. Arguably, the:

> processes of globalization and of European integration have relativised identities by penetrating or dissolving the boundaries around relatively closed systems, and by creating trans-societal and post-territorial discursive spaces and networks of relationships along the time-space edges of existence (Axford & Huggins 1999: 176).

What counts as monetary knowledge and accords salience to definite political programmes is progressively influenced by a new approach to government. Risk in the form of actuarial techniques, such as audits, is organizing the social construction of monetary affairs. Although currently weakened, the SGP is indicative of how the Eurosystem has shifted to adopt a low inflationary orthodoxy and implemented the necessary policies to remain within a range of economic targets. It brings the future into the present using calculative strategies and diminishes potential dangers associated with a single currency. However, it is not simply a concern of instrumental technicality. More appropriately, this method of governing also resonates in social and political fields. Such is the case because “as objects of political struggle” they are incorporated into the very discourse of what European integration means. Risk being a social construction itself is at the forefront of this process. It reorganizes relations according to calculable forms of government and is disseminated through discourses and policies such as “sound money”. This discursive shift has legitimated particular technologies of rule that embody this mentality such as the Pact’s implementation procedures. Audits are conducted that discipline governments like Belgium but are themselves removed from the democratic process. Although the rationale for central bank independence is compelling, an analytics of government helps us understand the potential hazards of governing in this manner as the shift institutionalizes an advanced liberal form of government. It not only reveals the technical parameters of monetary governance but also the social and political dimensions of an evolving European monetary spatial-temporal order.

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