
Monetary institutionalism and European monetary union: a Schmittian critique

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Résumé

This paper presents the critical contribution that Bernard Schmitt offered with regard to (the process of) European monetary union, as a result of those logical laws of monetary macroeconomics that he contributed to discover. The first section points out that money is not an asset, that its purchasing power does not depend on agents' confidence, that a payment is not a bilateral exchange, and that the balance of payments does not concern a country as a whole but merely its residents. This section also explains that monetary union does not imply necessarily the irrevocably fixing of its currencies' exchange rates, that there is an essential distinction between a single currency and a common currency, and that the member countries of the European Union do not need a single currency, which is actually a factor of crisis for them. In light of this, the second section briefly recalls that money is an "asset-liability" whose purchasing power depends on production, and that each payment implies three parties (namely, the payer, the payee, and the banking system as a monetary intermediary). It then explains that a national central bank represents its country in the international monetary space, where a common (instead of a single) currency should be issued by an international settlement institution. If so, then the common European currency (let us call it "international euro") will not be used by residents for either their domestic or cross-border transactions, which they will settle using their national currency – thereby recovering national monetary sovereignty. Between any two member countries of the European monetary union, by contrast, all payments will be settled using the "international euro" as a currency that really enables payments to be final at the international level. This contrasts with the current situation in the TARGET2 system, which does not imply payment finality at international level, because the national central banks involved thereby do not pay (and are not paid) finally when there is a transaction across that system. The third section is thus in a position to explain that the European single currency area is neither a truly monetary union (because actually the euro is not a single European currency for its member countries) nor a factor of economic and financial stability and macroeconomic convergence across these countries. In fact, the monetary policy of the European Central Bank has been a factor of instability and crisis, because of its "one-size-fits-all" stance as well as because of a lack of a truly monetary integration as epitomised by TARGET2 imbalances. This section shows that countries like Germany exploited these problems to benefit from the situation unduly, since the free movement of financial capital across the euro area has increased (rather than reduced) real macroeconomic divergence across that area. The conclusion recalls Bernard Schmitt's critiques of European monetary union and points out how his proposals for monetary integration are both urgent and appropriate to solve the euro-area crisis at the time of writing.

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Mots-Clés: monnaie, intégration monétaire, plan Keynes