Public currency at the precipice

World Economics Association Conference
"Rethinking Financial Markets"

September 9, 2012

Douglas R. Holmes

In Frankfurt the new translucent headquarters of the ECB was approaching completion in the summer of 2012. The two curved high rise towers were nearing their topping out levels with the South tower at 43 and the North Tower at 46 stories and three bridging platforms that link the towers across a glass shrouded atrium were in place. The renovation and refurbishment of the attached Grossmarkthalle was well underway. But confidence in monetary union, the irrevocable commitment made by euro member states to a common currency, appeared to be in tatters.

On July 26, 2012 Mario Draghi, the new President of the ECB, broached the notion of a "convertibility risk," that had heretofore been unspeakable by senior officials of the bank, the utterance of which could in itself provoke the unraveling of the eurozone. Why would he do such a thing?

The sovereign debt crisis that began with revelations about Greek deficits in early 2010 had quickly expanded to a massive upheaval that threatened the financial stability of the entire euro area and ultimately the overall performance of the global economy. In the ensuing 16 months in what appeared to be an unending series of emergency meetings in Brussels, Frankfurt, Athens, Berlin, Paris, and Washington, senior officials designed and debated interventions to address the quickening emergency, an emergency that

seemed to continually outpace and thwart institutional solutions. Not since the Paris Peace Conference of 1919 have such intense, fractious, and brutal negotiations on the fate of Europe been pursued, deliberations marked by a similar degree of miscalculations, deception, and, with what many viewed as, incandescent bad faith.

My current research is *not* about the financial crisis per se, rather it is about the creation of a monetary regime—a regime impelled by a series of communicative experiments that predates the crisis and that has continued to be refined and modified in the teeth of unfolding turmoil (Blinder 2004; Bernanke 2012). Indeed, this compendium of experiments—in which we are all knowing and unknowing participants—has been instrumental in the management of some of the most vexing circumstances that arose in the wake of the failure of financial markets after the collapse of Lehman Brothers in September 2008 and the ensuing debacle.

Known narrowly and rather prosaically as "inflation targeting," these communicative experiments established the intellectual architecture and the regulatory mechanisms of a monetary regime that I have defined in relationship to the concept of a "public currency," a term used in passing by Mervyn King, Governor of the Bank of England. At the heart of this regime is a far-reaching premise: the public broadly must be recruited to collaborate with central banks in achieving the ends of monetary policy, namely "stable prices and confidence in the currency."

I began this research with a focused examination of the protocols of inflation targeting that have, as Alan Blinder (2004) asserts, revolutionized the practices of central banking. I followed the progressive unfolding of these innovative practices, which were recast as the moving parts of a new monetary regime, a regime predicated on distinctive

analytical modalities that enlivened collaborative relationships between central bankers and diverse strata and segments of the public. The crucial piece of this puzzle was the re-conceptualization of the audiences for these communicative experiments, by which members of the public emerged as protagonists fully implicated in the management of monetary policy.

My pursuit of the experiments started in Frankfurt, headquarters of the European Central Bank and the Deutsche Bundesbank in 2003. Over the last decade the ethnographic project expanded and I have pursued these issues at the Reserve Bank of New Zealand, the Swedish Riksbank, and the Bank of England. In this paper I look at how Draghi and his colleagues sought in the summer of 2012 to remake the euro as a public currency and, thus, further both the old and new agendas of European integration. To achieve this Draghi had to re-design the communicative architecture of the euro in order to speak to the predicaments of the European public. Yet to do this meant approaching the precipice: acknowledging that the ECB had lost control of the management of monetary policy.

In extremis

I focus on statements by Draghi delivered not in Frankfurt but first in Brussels on July 9, 2012 to the Economic and Monetary Affairs Committee (ECON) of the European Parliament as part of the regular "monetary dialogue" between the two institutions and then at an investment conference in London on July 26th. There are also a series of supplemental documents I examine, a report by the President of the European Council and a paragraph in an International Monetary Fund (IMF) report on Spain, all drafted at

about the same time by members of a network of overlapping groups of technocrats drawn from the European Commission, the ECB, and the IMF, who had come to form the intellectual apparatus for addressing the crisis.

Draghi's presentations were delivered at a time when the political momentum for aggressive programs of austerity in the peripheral states of the euro area that had been at the cornerstone of the EU's response to the sovereign debt and banking crisis had slowed. Europe as a whole had entered an economic slowdown and policies espoused most insistently by German Chancellor Angela Merkel and French President Nicolas Sarkozy, pushing for relentless austerity, faced increasing popular resistance as well as growing recognition among experts and lay observers too, that austerity was, in fact, worsening the sovereign debt and banking crisis. Sarkozy's defeat in the May 2012 presidential election to François Hollande marked a shift of policy to programs emphasizing, at least rhetorically, economic growth. Draghi, about this time, had cautiously assumed a leadership role in publically defining and articulating the issues at stake in the crisis.

The inextricable problems of sovereignty and indebtedness ensnared institutional thought and action in Europe. Plausible financial interventions were continually thwarted by what were constitutional constraints. The competencies of the EU institutions were continually challenged by the political impasses in member states and by powerful financial interests. Interventions to resolve sovereign debt issues further threatened the soundness of the European banking system. Austerity programs depressed growth, added to unemployment, and further exacerbated financial imbalances and indebtedness. Whatever solutions were arrived at had to survive the scrutiny of global financial markets continually pricing existing debt and dissecting the risk characteristics of any proposed

financial interventions. In the background was the growing sense in the parliament that with each passing day the hardships for European citizens were intensifying. Further in the background, there was a growing sense that the potential for extreme political responses was gaining ground, generating a recognition of political vulnerability that had the potential of further limiting the latitude for action and scope of remedies available to engage the technical issues of the crisis.

Ingrained assumptions regarding the virtues of savers and the less than admirable qualities of debtors played provocatively into political discussions. Why should "responsible" citizens of Germany, the Netherlands or Finland, for example, be forced to pay, yet again, for the "profligacy" of their Mediterranean neighbors? Keynes, of course, was keenly aware of the "paradox" lurking in this parable and its consequences (1936: 84). He demonstrated that crises like this are at their deepest level about global imbalances, notably *under* consumption and *excess* savings in creditor countries like Germany and over consumption and under savings in debtor countries like Greece. To tell this story authoritatively is excruciatingly difficult. Persuading the German public that it might be *their* savings rate and *their* under consumption that is at the heart of the crisis is (from their perspective) an utter absurdity. They are far more inclined to reduce the micro-ethics of the crisis to the "unassailable" fact that a German worker must wait until she is 67 before receiving full pension benefits, while neighbors in Greece are eligible a decade earlier. The insult to the cognitive balance sheets of the German public opened the way for destructive and implacable political responses that challenged the deepest assumption of European integration (Holmes 2000).

The corresponding allegories that emerged in the periphery—euro member states subjected to aggressive programs of austerity, fiscal, and market reforms—had a different character. They arose out of personal hardship, anguish, and injury to citizens as well as a sense of growing national humiliation as the role of their elected representatives and democratic institutions were overridden or usurped by European Commission, ECB, and IMF officials and, even more troubling, by global financial markets. Government spending was aggressively slashed, wages and benefits cut, taxes raised, and unemployment continued to rise. Each peripheral state was in the midst of economic contractions, with Greece in the midst of a full-fledged depression and regions of Spain edging closer to wide spread economic slump. Caustic allegories were also articulated within member states with animosities awakened or re-awakened between and among regions, notably in Italy.

By the summer of 2012 there were apprehensions gaining expression that more than the rescue of the euro was at stake, the spirit and historical rationale of the European project was imperiled. The possibility that technocrats and senior government officials had lost control of the integration story, leaving events open to wide-ranging populist and rancorous nationalist narratives loomed. And yet Draghi's address hinted to the contrary; he implied that something was changing, something might be transpiring that exceeded the details of crisis resolution pointing toward a new—albeit a crude and incomplete—technocratic and communicative framework. Why this inkling of hope?

Draghi's statement to the parliamentary committee recounted his broad assessment of the upheaval and his anticipated role in its resolution. What he articulated would have been unthinkable a year earlier. What was achievable had changed. The

deterioration of economic conditions across Europe was playing a role, perhaps a decisive role, in fostering a willingness to address the stark details of the crisis. Most notably, the ability of the ECB to conduct monetary policy had been compromised, its constitutional mandate impaired. This in itself served as an emphatic pretext for unprecedented action. Cautiously and with little in the way of hype Draghi crafted a story, an evolving institutional story, by which confidence could be re-established and the issues of the moment addressed, if not resolved. Deeper still, Draghi provided hints about how the entire project of European integration was being transformed and endowed with new communicative features.

Draghi, in contrast to his predecessor, was carefully disentangling the ECB from the thrall of the Bundesbank. At a time when a consensus about technical solutions to the crisis was gradually taking form among technocratic elites what was needed was to establish the rationale for those solutions within a sustainable public discourse. The challenged he faced was to model a communicative relationship by which the public was persuaded to collaborate in the restoration of faith and credit in an irrevocable monetary union. In the statement that follows, Draghi struggled to delineate this kind of story. As we will see, depending on one's perspective the substance of what he spoke was either audacious or tragically misguided.

Ownership of the future

Halfway through Draghi's statement to the ECON committee of the parliament (which runs fewer than 2000 words) he turned to a question posed by the committee on the role of the ECB in the "economic adjustment" programs and the bank's oversight and

management roles. He described the simple formula that evolved to address the crisis and he daringly speaks of "aftermath." In what reads as technocratic deadpan, he described in the simplest terms possible the nature of ECB financial assistance, the reforms it was demanding as the conditionality of loans, and the mechanisms of surveillance that were in place to insure compliance. There is no strict invocation of the provisions of the Maastricht Treaty or some other austere constitutional principle, rather the aims of the programs are expressed in pragmatic terms of restoring the credit worthiness of member states such that they could regain access to the credit markets, and, thus, regain financial viability.

Draghi then turned to another more disquieting issue to support his rhetorical interventions. He acknowledged that to model a communicative relationship with a European public, to recruit them to a task of restoring features of a discernable future to their social lives and to underwrite that future with institutional faith and credit required troubling acknowledgments about the past. Acknowledging responsibility was necessary to render the circumstances of the crisis tractable and to give the European public "ownership," as Draghi termed it, of their future.

The spread of the crisis as well as the catastrophic banking crisis that ensued may have been hard to foresee, but what Draghi said was, again, obvious that pre-conditions for the crisis were set in place by misguided and/or unsustainable policies that must be acknowledged and redressed to sustain economic growth and well being. Programs of reform and restructuring had to be made coherent to the public in relation to the past, to a history of political mismanagement.

The statement then veered to his positive appraisal of the results of the reform

process, which, itself, served as the basis of and for confidence despite at the time much evidence to the contrary.

In the wake of the arduous and fraught efforts to deal with the Greek, Portuguese, Irish, Spanish, and Italian situations, after countless meetings and consultations, Draghi is suggesting that something fundamental had been accomplished over and above the explicit aims of the reform programs and emergency interventions. New understandings, new arrangements, and new working relationships among key institutions had been established by virtue of the crises. What was achievable and unachievable had shifted and new understandings were beginning to emerge among the institutional elites as to what was necessary to begin to fully achieve fiscal union. Restated, the processes and practices that had emerged to grapple with the issues of the crisis had changed the facts of the crisis. How did this work?

Stress test

Broadly what we know is that groups of experts had by the time of Draghi's presentation been struggling for over a year with the complex contingencies of the crisis, vetting them often in excruciating detail in endless rounds of meetings providing policy remedies, typically amounting to limited, short and medium term interventions. Senior and mid-level officials of the European Central Bank and the European Commission and their staffs along with their counterparts in ministries of national governments constituted the intellectual core of this apparatus. The network also drew in experts in public finance from academic institutions, think tanks, banking institutions, and, as the crisis intensified, on the full resources and experience of the staff of the IMF. These people crunched and

re-crunched numbers, thrashed out briefing documents, technical analyses, and formal agreements that were drafted, re-written, amended, overwritten, further revised and then rejected, accepted, or forgotten. Crosscutting discussions of European law and, notably, the constitutional mandate of the ECB, were continually brought to bear on policy proposals and remedies. Supervisory and oversight procedures were crafted to monitor the efficacy of policy interventions. Senior political leaders positioned themselves in relations to these technical documents, interpreting them in relations to their national constituencies and partisan interests. Negotiations over loans and austerity programs—between and among peripheral states, the ECB, the European Commission and the IMF—traced the limits of macroeconomic adjustments, political persuasion, and public forbearance.

Incidental to the arduous work of dealing with the particular issues of crisis management, these working groups had assimilated what was perhaps the most thorough and nuanced, understanding of interrelated elements of the political economy of the euro area available. Over the course of little over a year, through trial and error, these experts had developed informal understandings and working relationships to address systematically the issues of the crisis. Put simply, they had learned from the Portuguese, Irish, Greek, Spanish, and Italian episodes what interventions and remedies worked and what didn't. They learned about the striking historical and cultural differences defining finance and political economy of these nations, they learned too of the sensitivities and anxieties of diverse national constituencies not only in the member states in need of assistance, but in those called upon to provide assistance. Not insignificantly, they also

confronted the bastions of power, privilege, and immunity that characterized the "private" financial prerogatives of European elites.

Equally important was the reflexive dynamic of this learning process amounting to a deep anthropology of EU institutions (Shore 2000). What these institutions could and couldn't do was constantly tested. With each phase of crisis management, the incomplete design of the EU in general and the ECB in particular was confronted. This incompleteness, however, also held out the possibility that working understandings and, even, creative interventions could be developed to address what were in many respects unforeseen and unprecedented challenges. Again, there was the full recognition that using the circumstance of the crisis to compel what was understood to be absolutely necessary reforms across the eurozone addressing, most notably, competitiveness, budgetary discipline, and banking regulation was, in their view, fortuitous. Engineering policy interventions around explicit constitutional constraints and limitations imposed by the Maastricht Treaty created some of the most vexing dilemmas for this coterie of technocrats. What had they learned?

The final section of Draghi's statement summarizes a report published a few days earlier entitled, "Toward a Genuine Economic and Monetary Union." The report drafted under the leadership of the European Council President, Herman Van Rompuy, and co-authored by President of the European Commission, José Manuel Barroso, and by Draghi himself representing the Eurogroup and the ECB, the document demonstrated that a shared position on fiscal and monetary union had emerged from the wrenching negotiations: a collaborative vision.

A longer-term vision for EMU [European Monetary Union]

Why then do we still have tensions in a number of market segments? Let me first

stress that a lot has been done at country as well as euro area level in terms of economic reforms and governance. But we need full implementation. We have to make clear that EMU is a union based on stability at national and aggregate levels.

Stability at national level means completing reforms to ensure sustainable growth without major imbalances. Stability at aggregate level means implementing the vision recently presented at the summit.

The central message of that vision is this: the euro is here to stay – and the euro area will take the necessary steps to ensure that.

In my view, the core of the report submitted by President Van Rompuy is the identification of four building blocks:

First, a *financial market union* that elevates responsibility for supervision of banks to the euro area level.

Second, a *fiscal union* that reinforces oversight of budgetary policies at the euro area level and also provides some fiscal capacity to support the functioning of the currency area.

Third, an *economic union* with sufficient mechanisms to ensure that countries can achieve sustained prosperity without excessive imbalances.

And finally a *political union* that strengthens the legitimacy of EMU among euro area citizens and deepens its political foundations.

These four building blocks are mutually consistent and coherent, and should be pursued in parallel. I am looking forward to the work on a roadmap that has started. In my view, three issues deserve particular attention:

First, we need to move towards a further sharing of sovereignty in the fiscal, financial and economic domains. There can be no shortcuts in establishing a sound and stable EMU.

Second, EMU is an integral part of the Treaty. This calls on all relevant bodies and actors to engage constructively on improving its functioning, not only at Union but also at national level. To call for an impeccable application of the Treaty and at the same time refuse closer union mentioned in Article 1 of the Treaty is inconsistent, to say the least.

Third, we need to accompany deeper euro area integration with significant progress on democratic legitimacy and accountability. There is no doubt that you and your colleagues – the members of the European Parliament, the directly elected representatives of the citizens of Europe – will continue to play a central role in the steps towards political union.

Thank you for your attention.

http://www.ecb.int/press/key/date/2012/html/sp120709.en.html

Separately, the IMF had officially sanctioned this program in an unusual section of an official report entitled "2012 Article IV Consultation with Spain Concluding Statement of IMF Mission," published a few days earlier, on June 14, 2012. Paragraph 7 reads as follows:

> **Spain's prospects will also be helped by further progress at the European level.** There is an immediate need at the euro area level to ensure adequate bank funding and mitigate contagion. But a lasting resolution to the Euro area crisis will require a convincing and concerted move toward a complete and robust EMU. This requires a roadmap toward a banking union and fiscal integration. A clear commitment in this direction, in particular on area-wide deposit insurance and a bank resolution framework with common backstops, is essential to chart a credible path ahead. http://www.imf.org/external/np/ms/2012/061512.htm

This statement is remarkable insofar as the IMF is not merely confirming participation in a particular series of intervention to aid a specific country, but rather it is ratifying prospectively an outline of a comprehensive program to begin to address the entire eurozone crisis.

Taboo

The purchase directly of debt of member states—violating the "no bale out" clause of the treaty—provoked what appeared to be insurmountable constitutional obstacles for the officials of the Bundesbank and the political leadership of the German government. Without this kind of intervention the cost, that is the interest rates demanded by the market to fund ongoing Spanish and Italian financial needs, would be crushing. At the end of July in a speech—in many respect it was more a series of informal comments—to Global Investment Conference in London, Draghi hinted at an

argument that trumped these constitutional inhibitions. His opening comments amounts to a manifesto of sorts for a public currency.

> [T]he..message I would like to send today, is that progress has been extraordinary in the last six months. If you compare today the euro area member states with six months ago, you will see that the world is entirely different today, and for the better.
>
> And this progress has taken different shapes. At national level, because of course, while I was saying, while I was glorifying the merits of the euro, you were thinking "but that's an average!", and "in fact countries diverge so much within the euro area, that averages are not representative any longer, when the variance is so big".
>
> But I would say that over the last six months, this average, well the variances tend to decrease and countries tend to converge much more than they have done in many years - both at national level, in countries like Portugal, Ireland and countries that are not in the programme, like Spain and Italy.
>
> The progress in undertaking deficit control, structural reforms has been remarkable. And they will have to continue to do so. But the pace has been set and all the signals that we get is that they don't relent, stop reforming themselves. It's a complex process because for many years, very little was done – I will come to this in a moment.
>
> But a lot of progress has been done at supranational level. That's why I always say that the last summit was a real success. The last summit was a real success because for the first time in many years, all the leaders of the 27 countries of Europe, including UK etc., said that the only way out of this present crisis is to have more Europe, not less Europe.
>
> A Europe that is founded on four building blocks: a fiscal union, a financial union, an economic union and a political union. These blocks, in two words – we can continue discussing this later – mean that much more of what is national sovereignty is going to be exercised at supranational level, that common fiscal rules will bind government actions on the fiscal side.
>
> Then in the banking union or financial markets union, we will have one supervisor for the whole euro area. And to show that there is full determination to move ahead and these are not just empty words, the European Commission will present a proposal for the supervisor in early September. So in a month. And I think I can say that works are quite advanced in this direction.
> So more Europe, but also the various firewalls have been given attention and now they are ready to work much better than in the past.

> The second message is that there is more progress than it has been acknowledged. But the third point I want to make is in a sense more political.
>
> When people talk about the fragility of the euro and the increasing fragility of the euro, and perhaps the crisis of the euro, very often non-euro area member states or leaders, underestimate the amount of political capital that is being invested in the euro.
>
> And so we view this, and I do not think we are unbiased observers, we think the euro is irreversible. And it's not an empty word now, because I preceded saying exactly what actions have been made, are being made to make it irreversible.
>
> But there is another message I want to tell you.
>
> Within our mandate, the ECB is ready to do whatever it takes to preserve the euro. And believe me, it will be enough.
>
> http://www.ecb.int/press/key/date/2012/html/sp120726.en.html

At the close of his remarks, Draghi makes a rather offhanded comments that tested the limits of the speakable and the unspeakable:

> These premia [the inordinately high interest rates]....have to do more and more with convertibility, with the risk of convertibility. Now to the extent that these premia do not have to do with factors inherent to my counterparty - they come into our [the ECB] mandate. They come within our remit.
>
> To the extent that the size of these sovereign premia hampers the functioning of the monetary policy transmission channel, they come within our mandate.
>
> So we have to cope with this financial fragmentation [by] addressing these issues.
>
> http://www.ecb.int/press/key/date/2012/html/sp120726.en.html

Stating that there was a "convertibility risk" influencing the divergent pricing of debt among member states, acknowledged what everyone knew that the market was pricing the possibility that the sovereign debt of some member state or states would ultimately be paid off in reissued national currencies, currencies which would in all likelihood be of diminished value. Crudely, the higher the interest premia demanded by the market, the

more the onerous the burden on the member state and the more overt the expectancy of its exit from the euro. But, of course, this was a self-fulfilling proposition.

> By admitting that this "convertibility risk" now exists, the ECB president has implicitly acknowledged that the permanence of the single currency is not fully credible in the financial markets. The recognition of redenomination risk after a potential devaluation is one reason, he implies, why sovereign bond yields are now so high in Spain and Italy. He has said that this prevents the ECB from transmitting its intended monetary stance into those economies, which gives the ECB the right to take direct action to reduce these bond yields
>
> Gavyn Davies August 5, 2012 http://blogs.ft.com/gavyndavies/2012/08/05/draghi-breaks-the-ultimate-euro-taboo/

Draghi averred that there was a paramount authority that overruled restrictions on bond purchases as well as other unorthodox interventions: the ECB's constitutional mandate to manage monetary policy across the eurozone. Perceived convertibility risk, the interest premia, imposed by the bond market was a clear and irrefutable challenge to the ECB's management of interest rates. To restore the ECB's authority demanded that these differentials be eliminated not merely to relieve the financial burdens imposed on specific member states, but to restore the ECB's control over the transmission of monetary policy, which would, thereby, re-establish the credibility of the common currency. The purchase of short dated bonds by the ECB under a reactivated Securities' Market Program (SMP) was deemed by Draghi as the means to accomplish this constitutional gambit (Zingales 2012)

The proposal was welcomed and supported by political leaders, notably even in Germany, though almost immediately it was subjected to restrictions and limitations aimed at continuing pressure on those member states petitioning for this kind of

assistance requiring them to cede further control and supervision over economic and financial matters to the so-called triumvirate (representatives of the European Commission, the IMF, and the ECB). There were many other potential obstacles, nevertheless Draghi's interventions, however tentative, represented a means to begin to create a plausible, if not robust, legal basis for new and unprecedented ECB initiatives. The ECB in Draghi's view had the right, indeed the obligation, to undertake those initiatives necessary to retain its control over monetary policy and this assertion of the bank's legal authority was translated into a mantra, that began to be repeated by senior officials of the bank that the ECB would "take whatever measures necessary" to preserve and protect the viability of the common currency.

Promissory vision

Over the course of eight weeks or so in the summer of 2012 Draghi had orchestrated a series of interventions that could meaningful address the overall crisis. The elements of his proposal though technically daunting could be articulate in a simple fashion encompassing six or seven essentials features. Above all, the program could be communicated, it could be made plausible to various strata and segments of the public, indeed, its efficacy depended on a communicative dynamic, that was future oriented, and designed specifically to shape or reshape expectations. The time horizons and the ends and purposes of policy interventions had shifted, no longer simply focused on pressing emergency measures to forestall some impending calamity or merely buying time to orchestrate the details of fiscal union, but on a "longer term vision" permitting a very different kind of intellectual labor and, perhaps, far more consequential outcomes.

Again, the crisis served not only as the pretext for further programs of integration, but also, for the purposes of this text, the impetus for exploration and re-evaluation of the imperatives defining a public currency.

The endless rounds of meetings, the never-ending scrutiny of conflicting proposals and remedies, the continual encounters with policy dead ends—this messy and uncertain process itself—was furthering, perhaps resolutely, the pragmatic design of the of the European project (Monnet 1978; Shore 2000).

In mid-2012, the technocratic challenge for the EU matched the scale and historical significance of the Cold War challenges confronted by the original architects of the European project. However, rather than pooling of national sovereignty by means of new supranational institutions —the classic agenda of European integration—the emerging challenge was to transform the nature of public finance in order to restore and strengthen the viability of the European social model. In other words, the crisis was provoking and then catalyzing a re-design of finance and political economy to underwrite the *other* great project of European integration, the project of solidarity (Holmes 2000; Rabinow 1989). Draghi not only acknowledged the urgency of imparting a relational language to the monetary regime, but he asserted in his London remarks that enhancing "social cohesion" was the decisive feature of the EU's approach to the crisis. Significantly, the earlier monetary union of Germany in the 1990s was accomplished with the same language; the substantial funding of unifications has and continues to be paid for with a "solidarity tax." That said, the commitments to sustain social welfare and the promises to preserve human dignity were rarely if ever acknowledged as overriding concerns in the midst of the crisis, but in the summer of 2012 Draghi saw fit to

foreground them as such, as an essential feature of what Sunder Raja refers to as a "promissory vision" (2006: 115).

Many inside and outside of Europe had good reason to be deeply skeptical of this claim of fidelity to the weighted terminology of social cohesion and solidarity and they had every reason to dismiss it as a convenient, if not cynical, rhetorical gesture. But the notion that to save the euro required a redesign of the basic imperatives of the financial system and opening them to public scrutiny was nonetheless theoretically plausible. In other words, not just a completion of the project of monetary union, but something more ambitious was needed, something that both ratified the original promissory vision of European project and something that went beyond it. What might this transformation look like?

David Westbrook has outlined the fundamental criteria for re-functioning the financial system aligned explicitly with the pragmatic ideals of social cohesion:

> In a global society in which social commitments have been capitalized and are held on a portfolio basis by highly leveraged and interdependent institutions, the traditional imagination of finance – how to intermediate scarce capital between savers and worthy entrepreneurs, while preventing fraud – should lose its dominance, to be replaced by a more custodial understanding of the vitality of stable capital to social order and humane understandings of institutions. The pension fund, the university endowment, or the sovereign debt portfolio, rather than the venture capitalist and the entrepreneur, should become the paradigmatic figures for contemporary thinking about capitalism and its regulation. Should the relevant elites take this conceptual turn, the aesthetics and so practices of securities regulation will be far different from those that have characterized the last several decades (personal communication 2012).

I think that Westbrook's agenda is akin to what Draghi and his colleagues were contemplating, they might, however, demur that this transformation was underway and, as suggested above, its principles of solidarity and social cohesion had become essential instruments for the resolution of the then current upheaval in Europe.

If the project of monetary union could be threatened by the utterance of "convertability risk," perhaps it could be saved by the classic terminology of "social cohesion." This is, of course, little more than facile shorthand for what is truly at stake here, the acknowledgment that the resolution of the challenges facing Europe required a language, a language capable of modeling societal commitments and promises, a language that could account for the circumstances, in some cases the dire circumstances, of a diversely constituted European public.

Draghi's most powerful and shrewd insight, as suggested above, was that there was now an audience, a vast audience across Europe that had not been there (or not listening) as recently as 2009, an audience increasingly anxious for the kind of message he and his colleagues were formulating. Despite the stirring of all manner of populist radicalism and intellectual discontent, there was an anxious public eager for the kind of program outlined above, simple, persuasive, and timely. There was a broadly constituted European public increasingly eager for a common agenda cast in the familiar metaphors and tropes of European integration, a public that was increasingly impatient with technical objections, divisive political partisanship, and narrowly framed financial interests thwarting efforts at resolution. Draghi interpolated this emerging public as protagonists with whom he could collaborate to alter the course of the crisis and shape its aftermath.

Despite this optimistic appraisal, there is no doubt Draghi's agenda may end in tears. Indeed a small journalistic and academic industry has grown up around crafting catastrophic stories about the impending collapses of the euro (Hans-Werner Sinn et al 2012). What Draghi admitted was that the currency had under pressure from the bond

market become un-tethered from narrative management of the technocratic officialdom of central banks. He further conceded that if central banks lose control of the monetary story, lose control of their communicative relationship with the public, there are alternative narratives available for stabilizing or destabilizing the link between money and the existential circumstances of the public. In late 2011 and early 2012 the communicative features of the euro were severely tested in just this fashion as the technocratic discourse of the ECB faltered and as highly contentious monetary stories circulated revealing how a public currency can attain dissonant features. The monetary allegory was radically recast in the summer of 2012, what will result is uncertain. What we do know is that remarkable monetary drama is unfolding and whatever the fate of euro, the outcome in all likelihood will rest on the ability of central bankers to model the future with persuasive words.

* * *