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Book Reviews

Europe: Government and Money. Running EMU: The Challenge of Policy Coordination, edited by I. Begg (London: Federal Trust, 2002, ISBN 1903403359); 172 pp., £22.50 pb.

Subsidiarity and national or regional interests versus the need to create a coherent set of policies which serve the interests of the Union as a whole have always been at the heart of the European debate, whichever side you are on. Now, with the successful introduction of the euro and the implementation of a single monetary policy in the euro area, the question arises again in the economic context. To what extent does running a single economy on behalf of a group of nations and in a coherent manner require some form of economic government in the same way as running a national economy does?

To many the idea of a European economic government is an anathema. For them, the key target that affects us all (inflation) should be under a single, central control and all other problems of primarily national/regional importance should be left to the national/regional authorities to resolve on their own. Information exchanges are then all that are needed. Others argue that it is hopeless to expect that a set of independently chosen national policies will prove effective or mutually supporting when there is the possibility of regional conflicts. Some form of economic government is needed to provide the co-ordination.

The beauty of this book is that it contains, within ten short essays, a concise review of each of these points of view. One also learns something of the preferred 'open method of co-ordination' and how the major components of policy-making (the ECB, the Stability Pact, the employment strategy, the Broad Economic Guidelines) should fit into it.

Most of the conventional lessons from the policy co-ordination literature of the past emerge in one proposal or another. Given the diminished scope for intervention on the demand side, there needs to be more co-ordination and flexibility on the supply side. There may need to be some harmonization of the tax, social security and especially pensions arrangements. Other themes include the attraction yet ineffectiveness of fixed rules (especially rules which are uniform across countries) and the importance of detailed information exchanges. Indeed the most impressive feature of the preferred open method of co-ordination is its recognition of the need for a common and consistent set of policy targets across the Union and a consistent set of national variations in the policy instruments to achieve those targets. A pity then that no one recognizes the value of going the extra step to identify the transparency and responsibility assignments that formal co-ordination arrangements would make necessary. Or that the real purpose of policy co-ordination is efficiency: to exploit different comparative advantages in policy implementation *and* to create the ability to absorb the country or region-specific developments that have plagued the euro area economies so far. That is to say, globalization needs its own localization at the same time.

In this context it is important that several authors have noted the desirability of linking these horizontal co-ordination efforts with the employment strategy and other reform measures to create greater market flexibility. But it is equally clear that the current arrangements contain no mechanisms to make this happen. All of these things are standard lessons from the co-ordination literature. It is gratifying therefore that many of them have now been recognized, but it is worrying that their significance has often not been understood or properly evaluated.

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Private Sector Involvement in the Euro: The Power of Ideas, by S. Collignon and D. Schwarzer (London: Routledge, 2003, ISBN 0415301750); xvi+266pp., £65 hb.

This book analyses the contributions of two 'private' organizations, the Committee for the Monetary Union of Europe (CMUE) and the Association for the Monetary Union of Europe (AMUE) in the process of European monetary integration. The two organizations were founded by Valéry Giscard d'Estaing and Helmut Schmidt. The CMUE, founded in 1986, was more politically oriented, consisting of both politicians and businessmen, while the AMUE, founded in 1987, was intended to represent business leaders. Both authors used to work for the AMUE.

The book takes a clear political science approach. It argues that one should understand the CMUE and the AMUE as networks which constituted an epistemic community. They contributed then to the emergence of a transnational European policy consensus, which was the foundation for the Maastricht Treaty and the establishment of EMU. They draw here on the Lehrer and Wagner model of consensus-building, which had also inspired their practical work at the AMUE.

The main corpus of the book provides an overview of the EMU process, starting from the origins of the CMUE, to the realization of EMU. In this survey the functioning and contributions of the CMUE and AMUE are highlighted. The authors draw to a large extent on the archives of both organizations and several interviews which they conducted. The book is very informative on the contributions of both organizations. However, a topic which does not come to the fore is their interaction with other private organizations. This could be interesting, for instance in the case of the AMUE, which had an important overlap in membership with the ECU Banking Association. Further, what is more difficult, and also less evident from their account, is the assessment of the influence of both organizations. For example, the authors quote speeches of senior politicians at meetings of the organizations, but it is not clear to what extent they corrected for the rhetoric. Moreover, also with interviews, which are certainly an indispensable tool for this kind of research, there remains a more subjective dimension.

A proverb says that 'success has many fathers'. This is certainly true for EMU. It is the merit of this book to have highlighted, with the CMUE and AMUE, contributions of the private sector in the process of European monetary integration.

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The Politics of Economic and Monetary Union: Integration and Idiosyncrasy, by E. Jones (Lanham, MD: Rowman and Littlefield, 2002, ISBN 0847690342 hb, 0847690350 pb); ix + 214 pp., £56.00 hb, £15.99 pb.

EMU is in almost equal measures fascinating and frustrating for the academic: fascinating because it is a unique and important experiment which will throw light on a whole host of questions, frustrating because it will be years before sufficient data have accumulated to answer them. It is into this arena that Erik Jones ventures with his new book, developing themes he has pursued for a number of years (three of the ten chapters have appeared in earlier studies).

The analysis starts from the proposition that the politics of the single currency should be understood in terms of the distribution of its associated costs and benefits, but that these costs and benefits are hard to assess. In general EMU is seen as increasing the range of options available for European macroeconomics. The difficulty of assessing the distributional effects of EMU has some interesting implications. It is seen as a source of stability for the system, making it difficult to mobilize against EMU. The rules of the system are also more significant than the operation of policy instruments, so the legitimacy of EMU lies in the democratic legitimacy of the process of setting these rules. Given the difficulties of changing these rules, national economies are going to have to adjust to work with them. But it is not the pressures on individual countries that are a threat to the stability of EMU but rather cleavages that cut across the Union associated with its costs and benefits.

Some aspects of the analysis can be criticized. There seems to be an over-emphasis on the fall in the value of the euro against the dollar, which has of course now been reversed. This is not just a matter of hindsight; any long view of floating exchange rates indicates the futility of trying to read any great significance into short- term movements in bilateral rates. Similarly the suggestion that the European Employment Strategy has 'a significant potential for the reconstruction of employment policy at the European level in the future' (p. 42) seems an overstatement of the capacity of the open method of co-ordination in this domain.

These are minor reservations; the analysis also stands up well even in the light of developments since it was written. Although the prediction that it would be countries with high levels of debt that would have problems with the Stability and Growth Pact has not proved correct, the suggestion that 'as a last resort, it is even possible for states to ignore the pact' (p. 187) has proved prescient. Overall a thoughtful and stimulating analysis of the politics of EMU

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New Regionalism in the Global Political Economy: Theories and Cases, edited by S. Breslin, C.W. Hughes, N. Phillips and B. Rosamond (London: Routledge, 2002, ISBN 0415277671 hb, 041527768X pb); xiv+257pp., £75.00 hb, £20.99 pb.

This book brings together several leading authors on new regionalism and constitutes an excellent state-of-the-art in this field of research within international political economy (IPE). The book presents recent developments in the manifestation of regionalism itself and in the scientific approach to the analysis of it. Because several first drafts of the papers were prepared for a conference held in Warwick in 1999, all authors refer to the financial crises originating in Thailand in 1997. The positive spin-off of this 'circumstance' is that the relationship between regionalism and globalization is brought to the very centre of the debate, and this is indeed a very important and relevant evolution.

The book combines more conceptual and theoretical issues with rigorous analyses of case studies. The first chapter is a particularly well written text on the past, present and future of integration studies and is much more than its title might suggest. Nine chapters have a specific regional focus, five chapters are more general; the latter deal with conceptual and theoretical issues, or have a comparative or cross-regional approach. The regions covered by the chapters with a regional focus are: South America, Sub-Saharan Africa (twice), the EU region (three cases), Asia (twice) and the South Pacific.

Independently of the academic qualities of the book, there may still remain some confusion among students of regional integration about the concept of 'new regionalism'. As is also acknowledged by the authors of the introductory chapter, it is a concept with different meanings, and I would add that its usage is unequally spread, both geographically and among scientific disciplines; in some circles it is even completely absent. One could distinguish between at least four definitions of new regionalism. First, it refers to the quantitative increase in the number of regional integration agreements starting at the end of the 1980s, usually explained by the uncertainty about the outcome of the Uruguay Round. Second, it refers to the qualitatively different regional integration agreements that were launched in that same period (non-trade issues, informal forms of border-zone integration, etc.). Third, it refers to new theories of regional integration (explaining, for example, the link between regionalism and globalization). Fourth, it also refers to new methodological approaches (rediscovering comparative studies, emphasizing the need for interdisciplinary approaches, etc.).

The book is an important step towards a better understanding of regionalist projects and processes and their relationships with the national realities, on the one hand, and globalization on the other. As new regionalism shows that it is essentially a multi-dimensional phenomenon, logical further steps should lead in the direction of more interdisciplinary work, which is also the message in Shaw's conclusions to chapter 9. I would add, however, that a re-encounter between IPE and economics still needs to be placed high on the research agenda. The understanding of new regionalism and its links with globalization would greatly benefit from several developments in economics. Just to mention a few: work on the optimal size, stability and dynamics of regional integration agreements; strategic analysis of trade agreements; regional public goods; and new economic geography.

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Employee Relations in the Periphery of Europe? The Unfolding Story of the European Social Model, by E. O'Hagan (Basingstroke: Palgrave, 2002, ISBN 0333947274); xvi+ 265pp., £45 hb.

This extremely timely book is an important piece of research on the ongoing impact of the European social model on aspects of the systems of industrial relations in two peripheral economies of the European continent, namely Ireland and Hungary.

In the first three chapters the author develops a framework of analysis for her case studies in the subsequent chapters. After discussing extensively all major European integration theories, O'Hagan develops an analytical tool called 'institutional dependency' which clearly takes some inspiration from the dependency approach, modern world systems approach and the middle range theory of multilevel governance. Her two main questions are: does the EU act as an agent of modernization and, as a consequence, do the systems of industrial relations adjust accordingly to the new European social model?

Her institutional dependency approach is then applied to the three case studies on national legal systems(ch. 4), national wage systems (ch. 5) and national training systems (ch. 6). In all three cases, she finds problems of adjustment in Ireland and Hungary. In the two cases, any changes to the corresponding subsystems of industrial relations may affect the incoming of foreign direct investment (FDI). Very interesting is her assessment that Ireland, in spite of the euphoria about its success, is extremely dependent on US investment leading also to US influenced models of industrial relations, where trade unions are more or less excluded. In Hungary one can find similar trends, in spite of the fact that the FDI base is much more differentiated. Nevertheless, there is always the fear of losing FDI to other emerging economies in central and eastern Europe, where wages are lower than the already extremely low wages in Hungary. The comparative European data provided in each of the chapters makes the reader aware that long-term traditions of industrial relations which inherited a culture of wage bargaining and vocational training, such as Germany, Denmark, Sweden, the Netherlands and France, are also in a much better position to adjust to the European social model. O'Hagan refers to the co-ordinated/ unco-ordinated systems of industrial relations divide that still exist in Europe and, in spite of the European social model, is perpetuated by the national governances of Ireland and Hungary.

One minor disadvantage of the book is the absence of any chapters that give a general overview of the political and economic systems of Ireland and Hungary. This makes the reading of the empirical chapters quite difficult, because one cannot refer to the national context. Overall, this rich detailed study is essential critical reading of the empirical problems and shortcomings of the powerful symbolism attached to the European social model encountered in the European periphery

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