



Inside the Fall 2012 EUSA Review:

EUSA Review Forum: Teaching the EU as Part of Broader Courses

<i>Extreme Case Europe</i>	Erik Jones	2
<i>Remystifying the EU</i>	Brian Rathbun	3
<i>Teaching Comparative Politics and the EU</i>	Sabine Saurugger	4
<i>The European Union as a comparative politics “case”</i>	A. Maurits van der Veen	5

Teaching the EU Interest Section

<i>Removing the barriers to learning about the EU</i>	Simon Usherwood	6
---	------------------------	----------

Political Economy Interest Section

<i>Rebuilding European Economic Governance: Strengthening Supranational Institutions through Intergovernmentalism</i>	Michele Chang, Georg Menz and Mitchell P. Smith	8
---	--	----------

Book Reviews **14**

Davis Cross, Mai’a K. *Security Integration in Europe: How Knowledge-based Networks are Transforming the European Union.* Ann Arbor: University of Michigan Press, 2011.
Reviewed by **Yasemin Irepoglu**

Craig, Paul and De Búrca, Gráinne. *EU Law. Text, Cases, and Materials Fifth Edition.* Oxford: Oxford University Press, 2011.
Reviewed by **Mattia Magrassi**

Gould, John A. *The Politics of Privatization: Wealth and Power in Postcommunist Europe.* Boulder: Lynne Rienner Publishers, 2011.
Reviewed by **Patrick Leblond**

Buti, Marco, Deroose, Servaas, Gaspar, Vitor and Martins, João Nogueira (eds.). *The Euro: The First Decade.* Cambridge: Cambridge University Press, 2010.
Reviewed by **David G. Mayes**



Teaching the EU as Part of Broader Courses

There have been other EUSA forums in the past on how to organize courses about the EU. These courses serve a useful purpose for students who want to learn specifically what the EU is and how it works, but it is also important to teach the EU as part of broader courses. The experience of the European Union is relevant to our understanding of politics in general – otherwise we would probably not be very interested in it. If that is the case, then the EU can and should be integrated into generalist courses of political science, especially in the subfields of comparative politics and international relations.

That the EU should be taught as part of a bigger political science picture is easier said than done, however. The all-to-easy solution is to have a special class about the EU as a separate “*sui generis*” case of international politics or comparative politics. We as teachers have all been tempted to do this... and we have probably succumbed to the temptation at least once or twice. But we also know that it isn't intellectually very satisfying.

How can the EU be fitted into a regular political science syllabus? Should the EU be taught as an actor, as a process, or as a “*sui generis*” phenomenon? What works with students, and what doesn't? I have asked these questions to two scholars of international relations and two scholars of comparative politics. Since I wanted to also get a sense of what works with non-European as well as European students, I decided, for each subfield, to pick one scholar based in America and one in Europe. The following pieces – by Erik Jones, Brian Rathbun, Sabine Saurugger, and Maurits van der Veen – are these four scholars' responses to these questions.

As the readers will realize, these responses are in some cases very personal, so their recipes will not work for everybody. But I hope that they will provide food for thought on how to get our students excited about the EU, and to shake off the notion that European integration is just a boring technocratic exercise.

Nicolas Jabko
EUSA Review Editor

Extreme Case Europe

Erik Jones

European integration is globalization on steroids. That is what makes it fun to bring into the classroom, particularly in discussions of international political economy. If you want to know what kind of beyond-the-border measures it would take to level the playing field for international trade and investment, just look at the completion of the internal market. If you are interested in the choice between fixed and flexible exchange rates, the various stages of monetary integration will give you a sense of what is at stake. If you are worried about macroeconomic imbalances, check out the sovereign debt crisis in the eurozone. And if you want to engage in a thought experiment about a world where workers can move freely across national boundaries, the historic enlargement of the European Union to the countries of Central and Eastern Europe and the travails of Europe's Schengen area should feed your imagination.

The extreme European cases are not only found in macro-areas related to trade, capital movements, and migration flows. They also arise in the policy process. Inter-governmentalism is ‘two-level games’. The German response to Europe's sovereign debt crisis is a good illustration. In February 2009, a center-left German finance minister in a centrist grand coalition was willing to pledge that no country that adopted the euro as its currency would ever go bankrupt. By the following November, a center-right Chancellor in an even more right-wing coalition was unwilling to reiterate that commitment. The German ‘national interest’ was the same in both cases but the domestic bargain was fundamentally different. Chancellor Angela Merkel could not pledge to bail out insolvent eurozone countries without fracturing her coalition with the liberal Free Democratic Party or jeopardizing her own Christian Democrats' performance in crucial regional elections. She chose to muddle through instead, much to the detriment of Germany and Europe.

In a similar vein, the European approach to technical harmonization shows the power of norms over material self-interest. A good example here is the chocolate standard. Originally, the European Commission proposed to set a threshold value for cocoa content in any confections to be called ‘chocolate’. However, the British government objected. The UK's largest confectioner, Cadbury's, makes sweets that are well below any reasonable threshold and yet did not want to market them as anything other than chocolate. So the Commission settled on a requirement to publish the cocoa content instead. Suddenly European consumers could see just how much cocoa was in their chocolate. As the new standard propagated across the market, it



carried new norms for quality chocolate along with it – carrying both British consumers and Cadbury’s profits along with it.

Most important, Europe shows how institutions matter both in the domestic determinants of European politics and in the European determinants of domestic politics – Kenneth Waltz’s ‘second image’ and its reverse. The European Union is a common arena within which very different countries interact and it is also a common shock to which very different countries must adapt. This is where it is possible to find the answers to questions about why some countries, like Luxembourg, tend to have more influence than their relative size would suggest, while others, like Italy, tend to have less. This is where the role of European Union jurisprudence becomes important and where the implementation of EU legislation matters as well. And it is the key to explain why some countries were affected more strongly by the global economic and financial crisis while others were not – as well as why the effects across countries tended to vary so much over time.

Finally, the European example is extreme because it is so unexpected. Most students come into the classroom with the presumption that Europe is old, tired, and perhaps even a little decadent (and not in a seductive way). The reality is very different. Scratch the surface and you will find that Europe is riddled with crime, corruption, violence, and xenophobia – but it is also a place of innovation, values, and cross-cultural dialog. European integration is an experiment for keeping the darker side of Europe in check. If it looks boring on the surface that is only because the experiment has been a success. Should it fail at some point in the future, we will get to see another European extreme case.

Erik Jones

Johns Hopkins University

Remystifying the EU

Brian Rathbun

When I was 19 years old, I went abroad for the first time - to Vienna, Austria for a semester-long program with the wind ensemble from my college. We took classes and rehearsed during the week and played concerts around Central Europe on the weekends. It was there that I first fell in love.

No, not with a little Austrian girl in Tracht a la Sound of Music. I developed my first intellectual crush, in the European Community, about to become the European Union. The member countries – well, most of them - were about to embark on a revolutionary new project in international integration, developing a common cur-

rency. An Austrian politician – Andreas Kohl, who would later shepherd historically neutral Austria into the EU – taught us about how it worked. At famous coffee houses such as Café Museum, I read the English newspapers including the now defunct “European.” I followed the fate of the treaty in the British parliament, where it was ruthlessly denounced by the majority party despite the fact that John Major had secured opt-outs from all of its most sensitive elements. That semester dictated the rest of my life. I became a political science major and went to Berkeley to study with the great Ernst Haas. Even though the EU itself has never been directly the object of my published work, its themes guide my research still today - peace through multilateralism, international cooperation and organizations, and diplomacy.

When I teach about the European Union in my class on international organizations I try to kindle the same kind of student interest in this strange institution. But I can’t offer them good coffee. Everyone has been crushed by Starbucks. And everything about my institution in California points west - towards Asia and the future. All Europe is considered old here, not just the Western part. So what do I do? I think the worst thing one can try is to treat the European Union as just another international organization. Andy Moravcsik’s unfortunate influence on the field was, as a reviewer once wrote, to “demystify” the EU. Rather than the great hope for the future of liberal idealists, it is just a product of powerful interest groups in powerful countries making credible commitments to....ZZZZZZZZZZ.

The first thing to do is to give students a sense of just how improbable the EU is considering the state of Europe after World War II. It took a profound act of political courage to start the political process of European integration given the scale of the war and its destructiveness. The notion that this was just simple politics as usual is so obviously wrong. It will also bore your students to tears. It was an audacious idea, and one that has never really been replicated anywhere else since. Students do not want to hear about how something was destined to happen. They want a story about a daring adventure in which an intrepid hero fought against all odds. This has the advantage of being true, except he was not an action star but a technocrat whose name was Jean Monnet.

Second, and perhaps in contradiction, point out the ridiculousness of the EU. The organization can be, sometimes is, profoundly humorous. De Gaulle withdrew his representatives from Brussels during the Empty Chair Crisis like a child who wouldn’t let anyone play with his toys. The alliance between the Christian Democrat Chancellor Kohl and Socialist President Mitterrand was terribly improbable, something brought home by any image of the enormously rotund German



holding hands (yes, holding hands!) with the diminutive Frenchman. You can find Thatcher's "No! No! No!" speech on Youtube, where she diverts attention from her own internal party dissension by redirecting anger at the Labour Party and the European Commissioner Jacques Delors, all while being cat-called at Question Time in a way that is shocking and funny to any American. When you cover the creation of the common currency and the ECB, you will have to deal with how the credible commitment to low inflation is ensured by the bank's independence and how this was a necessity for Germany to join. Just don't put it that way. Instead utilize the ECB's own propaganda films for children. I am not kidding. The EU produces short cartoons teaching those in school about how the ECB protects them from the "inflation monster," who is green and looks kind of like the Tasmanian devil. And don't even get me started with the banana regulations. If they are like my students, they will be mystified, which is just what we want.

Brian Rathbun

University of Southern California

Teaching Comparative Politics and the EU

Sabine Saurugger

Teaching comparative politics in European universities has become an even more complex endeavour that it was before the end of the cold war. Before the beginning of the 1990s, teaching comparative politics required an understanding of the structure and functioning of political systems of the biggest European states, and a number of smaller states – added for good measure. Comparing states' governmental institutions, judiciary, political parties, electoral systems, public policies and interest groups required a in-depth knowledge of these issues but also a high degree of abstract thinking, which helped to create categories allowing to go beyond simple case studies.

Since the Single European Act, the Maastricht Treaty and intensified globalisation processes, I teach comparative politics with a sense of urgency. Not only is it necessary to constantly update our classes (adding the names of new presidents, chancellors or prime ministers) as we did before. It has become crucial to take into account the continued impact European integration and globalisation had on domestic political systems.

Now, explaining to European comparative politics students, generally rather fed up with the classes they had on the EU – as an institution, as a decision-making system, as a historical entity – that they must listen and discuss issues linked to the European Union often leads to critical remarks. This is the case at least when

they are political science students in France, generally a rather critical bunch of young people. So I talk about the political side of the EU's influence on the domestic level. The debates on employment policies can't be understood without taking into account EMU or the Open Method of Coordination. It is not possible to explain comparative budgetary politics, domestic environmental or agricultural policies, or the comparative party manifestos, without taking into account compliance pressures stemming from both EU hard law and soft law: the Economic and Monetary Union, the Common Agricultural Policy, the European Environmental Policy, or the rise of Euro-scepticism in divers forms across all political parties.

Once this is done, the real work begins. It is crucial in this context to forget about the "absolute beauty of the EU's peace and love message of the 1950s and 1960s". Nothing is worse in a comparative politics class than to hear about the great achievements and the inevitability of the European integration process. These achievements can be taken for granted. Today, it's the conflicts, the debates, the banana wars and Euro-conflicts, the Santer resignation (albeit an old story) or the influence of debates taking place in the European Parliament – real politics – on national debates that students crave for – well, not really crave for, but are interested in. In this sense, the Europeanization literature has tremendously facilitated my teaching of comparative politics.

There is, however also another way to look on teaching comparative politics: it then becomes a tool to study the European Union as such. In this 'comparative politics of the EU' class, I use methods developed in comparative politics to study the political system of the European Union – something that seems to have become somewhat of a consensus today. This helps students understand the EU through comparisons with domestic politics and links with broader debates in political science. Again, this tremendously helps them not to see the EU as some sui generis far-away thing in Brussels, but as a system that is all over the place. The problem for teaching the EU was for a long time its love for technical jargon, even in political science – not to even mention law. The perceived end of the permissive consensus, and the subsequent politicisation of the EU (which does not end its jargon) have offered me the possibilities to make students understand that the EU is a process, and not only a 'thing' largely disconnected from real politics.

Sabine Saurugger
Sciences Po-Grenoble



The European Union as a Comparative Politics “case”

A. Maurits van der Veen

Where and how does the European Union fit into comparative politics? For many American students, unfortunately, the EU is simply synonymous with the eurozone. In light both of the real-world prominence of the European Union in politics, and of its theoretical interest as a *sui generis* experiment in something akin to state-building, this state of knowledge deserves to be remedied in broad comparative politics courses, not just in courses specifically focused on the EU. Probably the most common approach is simply to add a unit on European integration towards the end of the course. I want to argue here that doing so misses a valuable opportunity for promoting student understanding of comparative politics in general.

In fact, the European Union is an excellent “case” to illustrate a host of different topics, for two reasons. First, although it is not a state, it does many things states do, and thus represents an outlier in comparison to which “normal” states can be better understood. Second, unlike in most states, almost everything the European Union does is the result of explicit, and often strategic, decision-making on the part of its member states. Moreover, we often have at our disposal records of and information about these decisions. In many states, in contrast, historical accident or political forces long-since spent account for institutional and legal outcomes visible today.

Consider, by way of example, the issue of electoral systems. Elections to the European Parliament are by proportional representation. This is no historical accident: it was extensively debated, and we have records of the arguments made on all sides. Moreover, different countries have chosen different versions of proportional representation. In addition, several countries — most prominently the United Kingdom — use an electoral system for EP elections that is different from that for national elections. In other words, all the key considerations and implications associated with electoral structures can be covered simply by studying the various EU-level and national decisions on the issue.

Nor are electoral systems the only issue where the EU is a valuable case. For any discussion of the nature and implications of national identity, the EU’s struggles to develop something akin to an “EU identity” serve to highlight many of the key puzzles associated with identity. In studying the state’s role in fostering economic development, the EU’s experience with regional and cohesion policy can illustrate key challenges. On issues of governance, the EU represents an interesting case of multi-level governance, demonstrating, among others, that legislative and implementing powers need

not reside at the same level. The EU’s struggles with legitimacy and its perceived democratic deficit similarly offer great material for the investigation of these topics.

With this approach, students will not need to read much EU-specific literature; instead, the EU can simply be used as an in-class example to illustrate issues raised in concept- or issue-focused readings. Of course, some minimal background information about the EU will be important if the EU case is to make any sense to students. Fortunately, this is easily addressed by asking them to read one of several simple introductions that exist. The EU itself offers “Europe in ten points” (http://ec.europa.eu/publications/booklets/eu_glance/12/txt_en.htm, by Pascal Fontaine); the first point, a brief history, is really all that is needed to get started. (I prefer this to the EU’s “guide for Americans,” <http://www.eurunion.org/eu/Guide-for-Americans/Guide-for-Americans.html>.) Once armed with the basics, students should be equipped to consider the EU as an unusual but nevertheless illuminating case in studying a host of issues.

A. Maurits van der Veen
College of William & Mary

The EUSA Executive Committee is pleased to announce the online publication of the first EUSA Biennial Conference Special Issue of the *Journal of European Public Policy* (JEPP). This Special Issue includes seven (revised) papers selected by peer review from amongst those nominated by discussants and chairs as among the best presented at 2011 Biennial EUSA conference. The Special Issue can be found at <http://www.tandfonline.com>. The paper version is now available.

We look forward to continuing this collaboration between JEPP and EUSA in the future and expect that 6-8 papers from the 2013 EUSA Conference, May 9-11, 2013, to be held in the Baltimore/Washington DC metro area, will again be selected for publication in a future special JEPP/EUSA issue.



Removing the Barriers to Learning about the EU *Simon Usherwood*

One of the most frequent refrains that I hear from colleagues teaching on the European Union is that ‘students find it difficult.’ Indeed, it appears to be not only difficult for students, but also for teaching staff: to look at much at what has been written on Learning & Teaching (L&T) on the EU, there is a surfeit of discussion about ‘complexity’, ‘intricacies’ and ‘barriers to learning’. Even when teaching staff are positive about the subject, students (especially in the UK) can often be suspicious that there is a normative agenda at work, to make them love the Union!

This is neither healthy nor sustainable. Students might approach the subject with trepidation (if we’re lucky) or apathy (if we’re not), but too often we are complicit in providing an excuse for not engaging or not understanding. The EU joins other ‘difficult’ subjects – research methods springs to mind – in a dusty corner of L&T, to be taught as a necessity, with no great delight on either side of the classroom.

This has to change: the EU is a fundamental part of contemporary European (and global) politics and to ignore it will only perpetuate the problems of low understanding that we find in the general population. Three key ways of addressing this challenge present themselves.

Firstly, we need to understand our students’ attitudes and dispositions much better. Whether through quantitative questionnaires or more qualitative interviews, we have to build up a clearer picture of students’ prior knowledge, their interests within ‘the EU’, as well as their prior concerns about building their understanding. This might be about basic concepts of supranationalism versus intergovernmentalism, or about more practical aspects of what each institution is called (the all-too-familiar ‘European Council/Council of Europe’ problem).

As social scientists we would expect ourselves to ground any research project in the data we have, and this is no different: regardless of our theoretical approach to the Union, we still have to bring that into the specific environment of the classroom and make it work for our students, ipso facto we need to understand our students.

Secondly, we have to change our attitude as teachers. The EU might not be a simple political organisation, but it is no more complex than a typical state: that

teaching of the former usually tries to cover everything, while teaching of the latter often focuses on particular parts (legislatures, executives, etc.) might obscure this. This requires stress on the simplicity of underlying concepts: two-level games or principal-agent relationships are just two examples that spring to mind.

Importantly, it is not about ‘selling’ the integration process in normative terms: understanding is not the same as approbation. Certainly, enthusiasm for one’s subject is a great bonus for a teacher, but just as we bring different theoretical and analytical tools to bear on our research of the EU, so too can we bring different attitudes. Indeed, if we are to build student engagement, then we have to be able to accommodate different positions if we are not risk shutting down debate.

Consequently, in my classes on European integration, I spend a significant block of time talking about core concepts in more abstract terms, before applying them back into the context of the EU. Colleagues elsewhere have made conscious efforts to discuss the Union through the use of metaphors and analogies. My personal favourite comes from the team at the Catholic University of Paris, where they describe the Union as a student house, with bedrooms that are private to each student, but with communal areas (kitchen, bathroom, etc.) that require joint management. Such intuitively simple models act as heuristics to learning as much as anything else, opening up debate, rather than closing it down.

Thirdly, and rather less obviously, we might talk less about the European Union, in the sense of it being the object of our study. Instead, we might profit from talking about other subjects, illustrated through the example of Union. At a recent conference, one colleague discussed how her own realisation that the EU was a site of politics enabled her to completely and fundamentally reconceptualise her approach to the subject.

This is an area where non-traditional pedagogies have a clear role to play. Many colleagues already use simulation games to explore case studies within the EU, but they can also be used as starting points for students’ understanding of negotiating dynamics and institutional constraints. Moreover, simulations develop students’ skills in research, presentation, working with other and negotiation as well as enhancing their conceptualisations of more generic questions of politics, such as power, compromise and consensus. Likewise, problem-based learning techniques can offer a very powerful way into complex questions and issues, placing the student front and centre in that process: Maastricht University is an excellent example of how this approach can be used across an entire course of study, asking critical questions and supporting students in their discovery of answers.

Such techniques are labour-intensive, but they offer space to both teachers and students to escape from the shackles of 'difficulty', by opening up new ways to conceptualise and debate the subject material. More particularly, they instrumentalise knowledge and learning, giving it a clear and immediate purpose: certainly, I have yet to encounter a student who has not found a simulation to be of some interest and use for themselves.

Ultimately, by taking these steps and challenging our (and students') preconceptions about the European Union we can move out of this attitudinal problem, to the point where we can start to simply concentrate on the key questions about the integration process that interest us, rather than how we go about discussing them. Indeed, even if that goal isn't achieved immediately, then we should still take succour from the simple fact of trying. Compared to many other areas of social sciences, European studies has been relatively proactive in engaging with non-traditional pedagogies: I would venture to say that we all know someone who has gone beyond the lecture/seminar model in their teaching of the EU. Even if these various efforts don't always work, the mere fact of trying has made EU studies something of a hotbed of experimentation. Thus we might do well to take that out to our colleagues in other subjects, to show them the potential of challenging conventional thinking.

While we cannot change the fortunes of the European Union itself, we can change how we try to engage with it as teachers. In so doing, we can help students to get beyond their preconceptions – both of the subject and of the way it's taught – we can make for a learning environment that interests and stimulates us, and we can offer something to the wider community by way of pedagogic practice. The path is already sketched out: it just remains for us to take it.

Simon Usherwood
University of Surrey

EUSA Review

The EUSA Review (ISSN 1535-7031) [formerly the ECSA Review] is published three times yearly by the European Union Studies Association, a membership association and non-profit organization (founded in 1988 as the European Community Studies Association) devoted to the exchange of information and ideas on the European Union. We welcome the submission of scholarly manuscripts. Subscription to the EUSA Review is a benefit of Association membership.

Editor: Nicolas Jabko
Book Reviews Editor: Susanne Schmidt
Managing Editor: Joseph Figliulo

2011-2013 EUSA Executive Committee

Amie Kreppel, Chair
(University of Florida)

Michelle Egan, Vice Chair
(American University)

Adrienne Héritier
(European University Institute)

Nicolas Jabko
(Johns Hopkins University)

Berthold Rittberger
(University of Mannheim)

Susanne K. Schmidt
(University of Bremen)

Mitchell Smith
(University of Oklahoma)

Alberta Sbragia, ex officio member
(University of Pittsburgh)

Immediate Past Chair (2009-2011)

Adrienne Héritier
(European University Institute)

European Union Studies Association
415 Bellefield Hall
University of Pittsburgh
Pittsburgh, PA 15260 USA
Web www.eustudies.org
E-mail eusa@pitt.edu



Rebuilding European Economic Governance: Strengthening Supranational Institutions through Intergovernmentalism

Michele Chang, Georg Menz and Mitchell P. Smith

As the sovereign debt crisis rages on, the Eurozone has been struggling to shore up market confidence in the short-run and lay a stronger foundation for the currency area in the long-run by reforming European economic governance. The monetary arm of Economic and Monetary Union has been strengthened through the expansion of the European Central Bank's powers into a de facto lender of last resort and the creation of a crisis fund, the European Stability Mechanism. Fiscal, financial and economic policy cooperation were buttressed through mechanisms ranging from directives and regulations to intergovernmental treaties. Numerous commentators have noted the existing intergovernmental nature of EMU (Hodson 2011) has become more pronounced since the onset of the global financial crisis (Puetter 2012). A forthcoming special issue of the *Journal of European Integration* explores the recent reforms and concludes that the redefinition of European economic governance has resulted in a diminished reliance on the "community method" characterized by European Commission agenda setting, but that the powers of the supranational institutions have actually increased as a whole. Institutionally, select nodes within the Council of the European Union -- the permanent Council presidency and the Ecofin Council -- have taken a firmer hand in agenda-setting. Nevertheless a series of recent institutional and policy innovations have advanced economic integration and given more power to supranational institutions such as the Commission, the European Parliament and the ECB.

We are witnessing the emergence of a more "Europeanized" economic governance through unexpected means, as both national governments and European institutional actors remain committed to salvaging the euro. The deficiencies of the Maastricht framework have undermined market confidence in the euro area, in contrast to other economies that have worse economic records but still pay lower interest rates on their sovereign debt (De Grauwe and Ji 2012). Despite weaknesses in the original structure of EMU, to a certain extent the problems faced by economic integration were foreseeable as early as the 1960s. In a comparison of the European Commission's 2008 assessment of EMU@10 with its 1962 "Action Programme for the Second Stage" of the development of the Common Market, David Andrews finds that early on the Commission correctly identified numerous problems faced by the Eu-

rozone today, in particular macroeconomic imbalances between countries and divergent developments in unit labour costs and competitiveness. Resonating with the 1962 action programme, the Commission also adhered to a general approach of long-standing: moving towards "ever closer union" by embracing the principle of engrenage. All the more perplexing, then, is why the Commission was quite reserved as an entrepreneur in taking steps to rectify the problems that have emerged with the single currency.

In particular, the irreversibility of economic and monetary union is questioned, as it lacks a supranational executive with enough discretion and resources to make EMU credible. Kenneth Dyson carefully maps this terrain of "supreme emergency" in his contribution to the special issue, motivated by the insight that rules relying on the behaviour of markets and states are unlikely to operate as expected in crisis conditions. He establishes that any authority to invoke such a prerogative would have to be vested in an independent agent, but the political resistance that such arrangements would provoke makes it unlikely that the issue will be resolved soon.

The crisis has unleashed an interesting power dynamic involving a decisive shift away from the community method and towards much more intergovernmentally-inspired responses. National governments actively sought to reduce agency slack accruing to supranational institutions, shifting agenda setting authority to the Council President and Ecofin, thereby establishing a hierarchy that subordinated the role of the Commission to these actors. Picking up on this interaction, Dermot Hodson explores the role of the Barroso Commission, finding a cautious player carefully safeguarding the institution's political capital and strategically supporting minimalist re-regulatory activity with substantial political support in the member states. Hodson notes that the center-right political leaning of the Barroso Commission further contributes to an ultimately limited Commission response, effectively affirming the monetarist-inspired Maastricht criteria and avoiding substantial taming of the financial markets.

Although monetary integration has always exhibited strong intergovernmental characteristics, Michele Chang writes of the negotiations for fiscal policy cooperation that began under the community method became increasingly intergovernmental over time: in the six-pack agreement on enhanced fiscal cooperation, the European Council created a rival organization, the Van Rompuy Task Force (comprised of finance ministers from Ecofin), to work with the Commission to formulate the proposals, thus impinging on the latter's right of initiative. The subsequent Treaty on Stability, Coordination and Governance was negotiated as an intergovernmental treaty, though most of the provisions could have been done according to the community method.



Thus even matters that could be handled according to the community method were effectively re-intergovernmentalized.

An intergovernmental outcome was not always intentional: Ledina Gocaj and Sophie Meunier analyse the hasty creation of the European Financial Stability Facility (EFSF) and its successor, the European Stability Mechanism (ESM), as examples of path dependency that cemented the intergovernmental nature of the former. Although the structure and design of the EFSF were suboptimal, its creation during a time of crisis constrained future possibilities and its intergovernmental features were perpetuated.

Such shifts towards what Angela Merkel describes as the “Union method” are perhaps unsurprising given the substantial financial commitments entered into by northern governments for years to come. EMU under the Maastricht Treaty did not include instruments such as close fiscal and financial coordination, with the assumption that adherence to the rules established in these areas would be sufficient, with euro area governments keeping their respective fiscal situations under control. Nikolaos Zahariadis notes that this principle of fiscal federalism at the European level contributed to the current crisis, raising the spectre of national governments taking on more responsibility to address the aftermath. Ramunas Vilpisauskas’ contribution echoes this point in its examination of how domestic politics have constrained the ability of the euro area to engage in redistributive policies.

National economic divergence provides one clue to the prominence of national governments in defining the emerging contours of EU economic governance. At the same time, such divergence may well be an impediment to efficient decision making and effective outcomes. For example, Charlotte Rommerskirchen explores the inability of the EU or euro area to effectively combine their representation in multilateral fora, leading to inefficiencies and a reduced European voice. Despite some cautious delegation at the G-20, principals remain very restrained in employing agents and jealously safeguard their hold on interest representation at the global level. We also see evidence for this in the manner in which the EU has translated financial rules negotiated in multilateral fora -- such as the banking regulation agreed in the context of the Basel Committee on Banking Supervision in 2010 -- into EU law. As David Howarth and Lucia Quaglia demonstrate, member state preferences are shaped by structural features of national political economies, including the capital position, leverage ratios of banks, and the nature of their financing arrangements. An intergovernmental bargaining process ensued that altered the application of the Basel rules to the EU context.

The prominence of member states, particularly Germany and France, in dealing with the crisis must not

distract us from the noteworthy policy entrepreneurship of the European Central Bank (ECB). Jonathan Yiangou, Mícheál O’Keeffe and Gabriel Glöckler demonstrate how the monetary financing prohibition, by closing off one channel to the resolution of the Eurozone crisis, pushed the process onto an alternative path that resulted in more integration, with the ECB playing a vital role. The visibility and importance of the ECB as an institution has risen dramatically as a result of the crisis, serving not only as an instigator of more integration but also emerging as a powerful actor in its own right. Francisco Torres outlines the legitimacy questions faced by the ECB in light of this “strategic political role” that has been assumed by what had previously been deemed a primarily technocratic institution. The legitimacy issue becomes particularly difficult given the propensity of the ECB to push for further cooperation and for national-level reforms.

The special issue promotes three key findings: First, rather than permitting facile generalizations about the response being coloured by a supranational or an intergovernmental shade, the empirical and analytical reality is significantly more complex. As we document, it is difficult to categorize the response as being truly shaped by the community method. The Union method seems to be guided significantly more by member states than might have been anticipated given the political constellations prior to the crisis. In truth, member state governments have been faced with an indecisive and uninspiring Commission, but they also hesitated to accept top-down Europeanization and a significant power shift to European-level institutions.

In fact, one of the more interesting phenomena that emerged during the Eurozone crisis is the ongoing power struggle between the German government, the Bundesbank, and its representatives in the ECB. The struggle seems as much informed by disagreements over policy content as over the desirability of full fiscal union. The ‘German’ argument highlights the ignored dangers implicit in inflation, unsustainable and undesirable debt burdens, and massive wealth redistribution to a limited number of financial institutions, in contrast to the calls for more solidarity and the need to keep the euro area intact. Thus, the somewhat muddled response is yet again a case of containing both strongly intergovernmental elements – the rescue vehicles in particular – and supranational touches, notably in the form of the six-pack and the European semester. Ultimately, however, given the strong interest of the German government in securing and re-affirming the Maastricht criteria, even ostensibly supranational elements are strongly coloured by one government’s preferences.

Second, our analysis points to the emergence of two key actors, the European Parliament and the ECB. The post-Lisbon ordinary legislative procedure enabled the EP to avert the Commission’s attempts to



water down financial market re-regulation and Ecofin's efforts to dilute the six-pack, asserting itself as a self-confident actor willing – and more importantly, able – to flex its muscles. A second pivotal actor that deserves more scholarly scrutiny is the ECB and its policy entrepreneurship. We detect a divided policy agenda here, with bank officials dedicated to not only salvaging the euro at any cost, but also pushing for fiscal union in the absence of unlimited lending or Eurobonds, effectively curtailed by the German Constitutional Court ruling of 12 September 2012. This agenda is not shared by all representatives in the governing council because of its obvious financial and political fall-out. The ECB can be said to have acted as a decisive, at times even shrewd actor in pursuing its favoured strategy. In fact, much of the empirical story reads like one of quiet, yet powerful, mission creep.

Third, our work points to the importance of delegation, its limits, its potential, and its implications for policy output and its legitimacy. The recently reawakened scholarly interest in applying the principal-agent framework to European studies bears testimony to the increasing significance of delegation as a governance tool at the EU level. A number of our contributors deploy this framework, exploring the often very tight room for manoeuvre afforded to the appointed agents. In politically sensitive and extremely costly affairs, principals are understandably conservative in allotting influence to the executing agents.

The developments charted and analysed here point to the familiar picture of the Franco-German alliance acting as an engine (or not) in European integration. The Deauville meeting is a case in point: the proactive role of the Germans was not quite mirrored by developments in Paris, where a weak and confused leadership struggled to identify a coherent policy. The parties eschewed rapid and decisive action in 2010 in favour of a piecemeal response to what were then portrayed as largely self-inflicted economic difficulties in one marginal southern member state. Events since have highlighted the enormous financial cost of the dithering and hesitation, contrasting German Chancellor Angela Merkel with her political godfather, Helmut Kohl, at another singular historical moment.

Events at the national level also point to the significant prospect of political upheaval. It is worth highlighting the potential for government default on debts in Greece, as well as escalating political violence in the repression of anti-austerity demonstrations and the anti-immigrant tensions actively promoted by the Golden Dawn movement. In Spain, all the necessary ingredients for prolonged economic and political turmoil are present: serious and sustained financial difficulties by both the Spanish governments and some

of the autonomous regions; a vocal separatist movement in Catalonia and the Basque Country; and mass youth employment. Meanwhile, in Italy as elsewhere in Mediterranean Europe, the consequences of a pronounced competitiveness gap with Germany and the dire political consequences of extended austerity are such that a voluntary Eurozone exit by any of the southern countries cannot be entirely ruled out.

As if there was not enough uncertainty and potential for serious political conflict and civil unrest in the south, central European countries both within and outside the Eurozone are vulnerable. Slovenia, Slovakia, and Hungary are all experiencing severe budgetary problems; Hungary is also witnessing the re-emergence of colourful populists with little more than a nominal commitment to the values of liberal democracy.

All of these rising tensions suggest it is necessary to raise the question not only of whether the Eurozone crisis can have been merely kicked down the road, but also why and in whose interest the kicking continues. Defending the single currency commands a hefty political and economic price tag, placing increasing demands on member states and EU economic governance. While many of the weaknesses of euro area economic governance are being addressed, the redistribution of capital and reallocation of power that this entails makes it important to establish credibility not just with market actors but with euro area citizens.

Bibliography

- (2013). Special issue: Redefining European Economic Governance, *Journal of European Integration* v35 i3
- De Grauwe, P. and Y. Ji (2012). "Mispricing of Sovereign Risk and Macroeconomic Stability in the Eurozone*." *JCMS: Journal of Common Market Studies* 50(6): 866-880.
- Hodson, D. (2011). *Governing the Euro Area in Good Times and Bad*. Oxford, Oxford University Press.
- Merkel, A. (2010). "Speech by Federal Chancellor Angela Merkel at the opening ceremony of the 61st academic year of the College of Europe in Bruges on 2 November 2010."
- Puetter, U. (2012). "Europe's deliberative intergovernmentalism: The role of the Council and European Council in EU economic governance " *Journal of European Public Policy* 19(2): 161-178.





Book Reviews

Davis Cross, Mai'a K. *Security Integration in Europe: How Knowledge-based Networks are Transforming the European Union.* Ann Arbor: University of Michigan Press, 2011.

In 'Security Integration in Europe: How Knowledge-based Networks are Transforming the European Union', Mai'a K. Davis Cross examines security integration in Europe, a topic that has received a lot of scholarly attention in recent years. As the European Union (EU) has taken new initiatives to reform its security realm, this is a well-timed book that brings a fresh perspective to the field.

Davis Cross analyzes security integration through the lens of 'knowledge-based networks'. She provides a comprehensive theoretical account of how different security networks function as 'epistemic communities'. By placing a much required emphasis on both the internal and external dimensions of security in Europe, Davis Cross contributes both to the security studies and EU literatures with an attention-grabbing study that relies on rich insight from almost eighty interviews and primary documents.

The book is divided into six chapters. Following the introduction, the first chapter discusses why knowledge based networks and epistemic communities matter for security integration. The chapter does a thorough job of explaining the historical background of the concept and delineating the causal mechanisms through which epistemic communities contribute to integration. The epistemic communities Davis Cross assesses are diplomats, high-level military officers, scientists, and civilian crisis experts. The qualitative measurement of the strength of epistemic communities is a challenging undertaking; and it is debatable whether the four key independent variables (selection and training, meeting frequency and quality, shared professional norms and common culture) always lead to more cohesiveness in the community. The second chapter provides a comprehensive account of the current state of the security integration in Europe. After these chapters that provide the theoretical and historical foundation on which her arguments are based, Davis Cross presents the results of her case studies from four different epistemic communities. Chapter 3, 'Diplomats and Internal Security', looks at how diplomats in the Committee of Permanent Representatives (Coreper) pave the way for furthering the security integration, by giving the example of the 2005 Strategy on Radicalization and Recruitment developed by Coreper. Davis Cross' explanation of Coreper's influence on the EU action plan is very compelling. However,

as admitted by the author, integration has been uneven in many areas which might leave some question marks regarding the cohesiveness of the community. Chapter 4, 'Diplomats and External Security', takes the Political and Security Committee' (PSC) as its knowledge-based network, and shows that PSC is a moderate-strength epistemic community. This chapter is useful in understanding how Coreper and PSC compare to each other. It will take certainly some more time to assess whether the PSC will or will not prove to be effective as the Common Security and Defense Policy develops in the near future. Chapter 5 looks at the European Union Military Committee (EUMC) as a crucial epistemic community. As the real impact of the 'Long-Term Vision' for European Defence Capability will be evaluated in 2025, there exists room for further research on this topic. One issue that is mentioned, and deserves further exploration, is how being 'double-hatted' to NATO affects the influence of certain military officers on European security integration. Chapter 6 examines scientists and military experts as 'loose and nascent epistemic communities'. This chapter is also useful to understand how civilian crisis management is actually a key component of security integration. It also presents the other side of the epistemic community discussion, where Davis Cross argues that Civilian Crisis Management Committee is not yet a fully developed epistemic community. The conclusion is concise and informative, putting the findings into perspective and addressing concerns that should be closely monitored when thinking about European security.

Davis Cross makes her case for selecting the 'most likely' actors and not taking European think tanks working on security as cases on their own. According to her argument, think tanks are not cohesive enough to function as epistemic communities. Nevertheless, the argument that they are not epistemic communities is also telling. It would have been stimulating to expand on this argument, with a specific assessment of how security think tanks contribute or do not contribute to security integration as networks in their own right, comparing them with epistemic communities.

The main aim of the book is to single out the processes by which actors related to both external and internal security transform European security integration. Through a novel framework, Davis Cross has succeeded in revealing these mechanisms at work. The discussion of whether the EU has become or is successfully becoming a global security actor will need further elaboration for the argument on the 'transformation' of the EU to become more convincing for the future. Davis Cross' arguments build on a rich theoretical basis and a sound literature review. A more explicit elucidation of how this work relates to the Constructivist approach in International Relations would add to the theoretical



richness of the book. In the concluding chapter, Davis Cross rightfully addresses the problem of democratic deficit, which is a possible issue of concern in multi-level governance settings. This book, which draws on impressive first-hand research, is highly recommended to scholars, policy makers and all those interested in understanding how the security integration has been unfolding in Europe.

Yasemin Irepoglu

Gould, John A. *The Politics of Privatization: Wealth and Power in Postcommunist Europe*. Boulder: Lynne Rienner Publishers, 2011.

The first pages of John Gould's book do not make a good first impression. Quickly, one feels that it is of limited scholarly value because it is ten years too late. Today, there is nothing novel about a book arguing that high-quality institutions (e.g., the rule of law, strong property rights and their protection, low levels of corruption, etc.) matter for privatization to be successful and that, as a result, privatization in postcommunist Europe did not lead to the kind of political liberalization that many people, most notably economists, anticipated in the early 1990s. One wonders why would Lynne Rienner publish such a book. It makes no sense!

Then, on page 5, the heavy fog lifts. The book finally reveals its *raison d'être*. The point of the book is not so much to argue for the importance of institutions in successful privatization or to criticize economists for getting it wrong about the ability of privatization to foster liberal democracy but to show that existing arguments and explanations are "incomplete" (p. 183). As such, Gould's book is less interested about what happened politically in postcommunist Europe during and immediately after privatization than on what happened years later. Rather than focusing solely on how "[i]n the short run privatization was indeed used by former communists and others to consolidate their control over the political and economic life of the country" (p. 5), the book wants to pay close attention to the "long run" and explain why in some countries at some point in time the beneficiaries of privatization came to support political liberalization. In other words: why did these post-privatization beneficiaries defect? In essence, that is the research question that this book answers.

Surprisingly perhaps, the author makes his own formulation of this research question available to the reader only on page 40 and does so in a somewhat obscure fashion — i.e. one has to be on the lookout for it since the author does not highlight it for the reader. In fact, the book's main purpose has a tendency to get lost in the details of "short run" privatization politics, which

are of course an important prelude to the long run. As a result, the reader must remain vigilant throughout the book if he or she does not want to miss the new elements on the politics of privatization in postcommunist Europe that are on offer here. Otherwise, the reader will reach the end of the book and feel that the author has not really broken any new ground, though the privatization stories that are presented are rich in details and well explained.

The book answers its central question with the help of one theoretical and five empirical chapters. Chapter 3, on the politics of privatization, details the book's theoretical arguments while offering an excellent review of the literature on postcommunist privatizations. Chapters 4 to 7 present individual case studies of Czechoslovakia (to set the table for what happened after separation), the Czech Republic, Slovakia, and Ukraine. The final empirical chapter (#8) covers privatization politics in Serbia, Georgia and Azerbaijan. It corresponds to an article that the author previously published in the *Review of International Political Economy* in 2008. For the book's benefit, however, it would have been better to replace this multicountry chapter with a chapter devoted to the Russian case, which continues to fascinate to this day with Vladimir Putin's recent return to the presidency. It would be interesting to see how well Russia fits into Gould's argument. To this reviewer, it seems that it does so very well, which is why it would have been nice to have the details included in this book.

On page 6, Gould mentions that his book is not only aimed at scholars and policymakers, which it is, but also at undergraduates who by now were born after the fall of the Berlin Wall. This is why he kindly offers the reader chapter 2, which is for those readers who do not remember or know what the command economy was in the Soviet Union and Eastern Europe. The chapter explains where privatization was starting from, the challenges it was facing, and the schools of thought that were pushing it in one direction or another. Finally, it puts privatization in the broader context of economic reforms in postcommunist Europe.

In sum, this book will be excellent for the classroom in courses on Central and Eastern Europe or in comparative political economy. For scholars who focus their work on the political economy of postcommunist Europe, however, they will find it frustrating even if useful, because they will have to sift through a lot of already-known details to get the bits that are new to the literature. Finally, for the larger political economy audience, this book will be an enjoyable read.

Patrick Leblond



Craig, Paul and **De Búrca, Gráinne**. *EU Law. Text, Cases, and Materials Fifth Edition*. Oxford: Oxford University Press, 2011.

EU integration is a project in continuing evolution. Consequently, it is inevitable an equally continuous revision of books aimed at giving a comprehensive presentation of EU law. This is true, in particular, when a major change of the EU Treaties occurs, but it must not be underestimated that also the “ordinary” action of EU – and member States – institutions, and the accompanying analysis of EU law scholars, produce new materials that is necessary to include into the analysis of this fast moving area of law.

This is the fifth edition – in less than fifteen years – of a volume that has earned the reputation as “definitive” and “classic” textbook of EU law, authored by two prominent experts in the field, based at Oxford and Harvard respectively, that have been working closely as an author team for nearly twenty years. This new edition not only reflects the institutional and substantive changes made by the Lisbon Treaty, but also the further major case law, legislative developments and policy initiatives occurred in the last four years, with modification of existing chapters, creation of new chapters, and rearrangement of the order of the material in parts of the book.

Substantial revisions are dedicated to EU institutions, legal instruments, competence, legislation and decision making process, human rights guarantee (including coverage of Kadi and other anti-terrorist sanctions cases), citizenship (including coverage of the Rottman, Ruiz Zambrano, McCarthy and other recent cases), international relations law, anti-discrimination law (including full coverage of the Article 19 Race Directive and Framework Equality Directives, and case law including Test-Achats, Roca Alvarez, and the main age discrimination cases).

After two useful and detailed tables of cases, treaties, instruments and legislation, that give to the reader the possibility to jump directly, if desired, into the topic of interest, and the necessary table of equivalence between the Lisbon Treaty provisions and the corresponding provisions of old Treaties, the volume is divided into twenty-nine chapters. However, the general outline of the book may be divided into two main parts.

The first part covers topics of institutional nature: the presentation and analysis of EU institutions, their competences and functioning; the relationship between EU and national law; the role of the EU in international relations, and the role of human rights in the EU legal system; the procedures and remedies established by the Treaties for the guarantee of the EU legal system: enforcement actions against member States, the preliminary ruling system and legal remedies

against EU acts.

The second half of the book, on the other hand, has more substantive nature, being dedicated to EU policies (single market, free movement of goods, capitals, workers and services, EU citizenship, equal treatment and non-discrimination, competition law). There is also a new chapter focusing on EU cooperation in criminal law and justice. Due to limitations of space, the Authors decided, in this edition, to give a general overview of the Area of Freedom, Security and Justice and then to focus mainly on the challenges posed by EU initiatives relating to criminal law, with the promise to keep this issue under review in future editions.

All chapters are organized according to a well-established format based on learning features designed to guide the reader through each topic: firstly, a short presentation of the “central issues” gives to the reader a useful roadmap of the matter addressed in the chapter; then the presentation and analysis of the topics, accompanied by the account of relevant policy and academic debate; when necessary, the main aspects of the topic are listed in a “summary”; every chapter closes with a short “conclusion” and a list of further readings, suggested to go into more depth about the various issues. This new edition confirms the distinctive mix of text and cases and materials that made the previous editions so successful. Extracts of primary and secondary legislation, court judgments and academic journal articles are presented with the well experimented two-color text design which easily distinguishes between author commentary and cases and material, and makes the book more easily readable. Also this edition is enriched by an updated Online Resource Center, featuring an useful interactive map of Europe presenting key data on every single member State and its EU membership, and an interesting timeline showing major events in the development of the EU.

This fifth edition of Craig and De Burca’s EU Law Text, Cases, and Materials confirms its reputation as one of the most authoritative textbooks of EU law. It is highly recommended for students at all levels who have a general background both in public and private law.

Mattia Magrassi

EUSA members interested in reviewing recent EU-related books, please fill out the form for potential reviewers located on our website-www.eustudies.org.

Publishers should send a review copy of books directly to the EUSA office, 415 Bellefield Hall, University of Pittsburgh, Pittsburgh, PA 15206, USA



Buti, Marco, Deroose, Servaas, Gaspar, Vitor and Martins, João Nogueira (eds.). *The Euro: The First Decade*. Cambridge: Cambridge University Press, 2010.

Producing a book on the euro in the middle of the present crisis might seem foolhardy at best, especially since much of the work was completed in 2008 so that the book could be ready for the tenth anniversary on 1st January 2009. However, with the exception of the Foreword by Commissioner Almunia this is a judicious and wide ranging review of the euro and monetary integration in Europe. One might have expected that a book published for the European Commission, for whom all the authors then worked (Vitor Gaspar is currently Minister of Finance in Portugal) would be full of praise even though the contributors are almost entirely academic. In practice it is balanced and reviews all aspects of the euro in a critical manner.

It is a huge piece of work, some thousand pages in length, with sixty contributors. It has been clearly edited although inevitably with so much material there is some variation in quality. It has eight parts, following an introduction setting out what is to come from the editors. These parts start with an historical perspective before going on to optimal currency area (OCA) theory, monetary policy, financial markets, fiscal policy, growth, trade and volatility, structural reforms and ending with enlargement and governance. Each of the 20 chapters is subject to a substantial commentary by someone from outside the list of authors, so the critique is present in the book itself.

Not surprisingly the book is not prescient. None of the authors predicts the sovereign debt crisis or anything approaching it, despite the fact that the first stages of the global financial crisis had already occurred. By the same token, however, it is not ruled out explicitly by anyone.

The historical chapters, by Michael Bordo and Harold James, and Barry Eichengreen have their main focus on showing how different economic and monetary union in Europe (EMU) is from previous experiences of currencies that are used in more than one country. But one of the most useful sections in the Bordo-James chapter is the exposition from history of the types of events that have previously discredited or put severe strain on currencies – the first one of which is fiscal policy. The problems the euro is facing at present are not unusual in historical terms and indeed the weaknesses in the system were well known at the outset. The problem is that the pressures have burst out before sufficient structural change could be achieved in the weaker parts of the system.

This leads directly to the chapters by Francesco Paolo Megelli and Giancarlo Corsetti who reconsider what OCA theory tells us and indeed the drawbacks of the OCA theory of the 1990s, which was not so developed. A key aspect of the speculation is the extent to which the member countries would be likely to become more similar after membership. The discussant, Peter Hoeller, produces a telling graph showing how countries have diverged strikingly in terms of their real effective exchange rates and export growth. The nature of the present problems is clear. Ireland alone stands out as a country with an appreciating exchange rate and strong growth. All other appreciating countries have below average export performance.

Monetary policy comes in for only limited criticism from Petra Geraats and Manfred Neumann. The ECB has not succeeded in keeping inflation below but close to 2% over the medium term but it has come close to doing so and inflation has never shown signs of getting out of hand. What the authors have more difficulty with is explaining the low interest rates of the period 2003 to 2005, which might be interpreted as showing that the euro did not manage to get away from dominance by the dollar, as raising rates would have raised the exchange rate rather than eliciting a response from the Federal Reserve. What they would conclude about the last four years is difficult to guess.

Not surprisingly fiscal policy comprises the longest section of the book, although the section on the operation of financial markets and the international role of the euro is not a great deal shorter. There are some interesting reflections for present day problems. Jürgen von Hagen and Charles Wyplosz note that as expected fiscal policy has become asymmetric. In downturns it is acyclic because it is constrained by the excessive deficit procedure whereas in booms it is countercyclical. They also go on to discuss the idea that the area as a whole might handle idiosyncratic shocks through an insurance policy that permits transfers to an adversely affected country. They do not look at the other side of the coin which might suggest that countries subject to positive shocks might also make a positive transfer to dampen the boom. Xavier Debrun, Jean Pisani-Ferry and André Sapir take this issue of volatility further by considering whether increases in government size have dampened volatility. Their conclusion is negative, given the substantial size of the government sector in most EU countries it is difficult for any change to have much impact at the margin in any direction.

The authors in the book are quite happy to handle the controversial area surrounding closer integration, with Julian Alworth and Giampaolo Arachi tackling taxation. They are able to show that invest-



ment does indeed seem to follow the lower corporate tax rates, leading to concerns about how far tax competition should be allowed to develop. Ray Barrell, Dawn Holland, Iana Liadze and Olga Pomerantz are able to show that, for many of the core countries at least, the introduction of the euro seems to have stimulated growth in a manner not experienced by the non-euro countries. In the same way Stefan Gerlach and Mathias Hoffmann find evidence that there has been a reduction in volatility since the introduction of the euro. This seems marked compared with the non-euro countries. This may be an area where the authors would like to rework their results with the benefit of the new data.

While these models try to take account of general trends with small data periods such as a decade they will be heavily influenced by small sample economic conditions. Guiseppe Bertola's chapter on labour markets faces exactly the same problem. With the data period used, EMU seems to be associated with better performance on unemployment and worse performance on inequality (and also convergence between continental European countries and their competitors). Recent experience may warrant a re-evaluation of the unemployment conclusion.

The work on the labour market and a further chapter by Jacques Pelkmans, Lourdes Acedo Montoya and Alessandro Maravalle on product market flexibility tackle the fundamental concern that euro area countries may be insufficiently flexible to withstand asymmetric shocks under a common currency. Pelkmans et al. make a good case for product market reforms to achieve greater resilience as well as the traditional argument of faster economic growth advanced in the Lisbon Strategy, inter alia, but they have a more difficult job showing the extent of progress and the size of the task that remains. The commentator on both papers, Gert Jan Koopman, is pessimistic, arguing that there is a long way yet to go for flexibility on both markets and asking for a better evidence basis to make assessments in future.

The last two chapters look forward. That by Zsolt Darvas and Gyorgy Szapary revisits the strategy for future entrants. It provides perhaps the clearest advice that has been borne out by recent experience. If you have a low price level and a long way to go to real convergence there is a strong chance that you will experience considerable inflation relative to the rest of the area and an ensuing credit and asset price boom. There is therefore a temptation to converge first. This of course stands in contrast to the Baltic states and in particular to Estonia which is the most recent entrant to the euro area. These countries started from a very weak currency and used currency boards to stabilise.

There is thus no difference in the real exchange rate effect inside or outside the area. They have to adjust by being much more flexible in labour and product markets, particularly, as has been shown recently, by being able to reduce nominal wages and hence adjust quickly without the extended period of 'austerity' that other less flexible countries are experiencing. What the authors get completely right is that there is no alternative to undertaking the structural reforms whether the transition is inside or outside the euro area. It is simply that if a country fails to make such reforms while outside it at least has more tools available to adjust to the consequences of such a lack of competitiveness. The idea that membership will be sufficient incentive for change does not seem to work generally, although it has clearly been a successful strategy for Finland, for example.

The book is completed by a careful piece by Iain Begg considering what changes in governance of EMU might be needed as the euro area expands. It has really been overtaken by events as the current pressures are forcing a very different attitude to governance as the spillovers from the actions of some member states to others become substantial. Actions in the crisis have been decidedly intergovernmental rather than Community induced changes. In part this has been due to the need for speed and the key role of a few countries in determining the overall stance by their own actions. The ideas of 'fiscal union' and other joint instruments are new to the discussion.

Probably the editors thought they might next organize 'The Euro at 21' or possibly 'The Euro at 25'. Now, already they probably need another, albeit smaller, volume for 'The Euro: the first 15 years'. However, timing will be of the essence. Finding that Greece or another country exited between writing and publication would make such a book a hostage to fortune. The present book has come through that battle remarkably well. The editors are to be congratulated on their focus on scholarship rather than immediate politics. An hurra volume would have been all too easy to put together.

David G. Mayes

