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Book Review

Colin Crouch, ed., *After the Euro: Shaping Institutions for Governance in the Wake of European Monetary Union*, Oxford University Press, 2000, £40.

This volume brings together eight essays on the implications of European Monetary Union (EMU) for the development of the European Union. The essays were originally prepared for a workshop held in May 1997. The editor of the volume states that the essays are intended to shed light on three core questions: the implications of EMU for the form that capitalism is likely to take in Europe; whether the ECB will mark a new stage in the extension and thickening of the structures of the Union; and the implications of monetary union for social policy in the EU.

The volume is disappointing. In part this is because the publication time lag has dated one or two of the contributions – for example, the discussion of the attitude of the City of London would be written differently now in the light of its performance since the start of the single currency. In part it is because a disproportionate quarter of the volume is taken up by just one essay by Robert Boyer on the political and institutional defects of the euro, which gives a highly confused and confusing treatment to each of the three main themes. Occasionally, editors should edit! But much the most important reason for disappointment is that none of the three questions posed by the editor can be answered by looking at monetary union and the ECB in isolation. Monetary union is in part a driving force for change but it is also a transmission mechanism for other forces driving change.

The debate about the shape of capitalism in Europe has both an ideological component – the perceived need to maintain some form of 'social market' model – and a practical component – how to achieve the so-called 'golden scenario' in which Europe gets economic growth, falling unemployment and monetary stability. On the ideological side, the debate is driven not by the doctrine of central bank independence so much as by Germany's desire to root community law in a charter of fundamental rights, including social rights. On the practical side, the debate is driven by the influence of American success with the so-called 'new economy'. The Lisbon summit is unlikely to be the turning point proclaimed by Tony Blair, but it does mark a new stage in making it respectable for Europe to look across the Atlantic for ideas about market organisation. Thus, the interplay between the European social market model and the Anglo-Saxon free market model is not being fought out over ECB policy but over other issues, such as the pace of technological uptake, the role of venture capitalism, the creation of shareholder value, the role of e-commerce and other aspects of so-called 'structural reform'.

The debate about the extension and thickening of structures in the Union is where the potential influence of the single currency on EU institutional development is most direct. Here, there is an important debate under way on the role of the Euro-11 in relation to ECOFIN, which indeed is about the wider institutional framework within which the ECB operates. However, even in the case of economic governance, the issue is not just about the ECB but also part of the wider debate on how to manage closer cooperation in an enlarged union in which not all members participate in all activities.

In the case of social policy it is the influence of such factors as the American success in job creation, competition between regulatory systems world-wide, the implications of Europe's age structure for social security and pension reform, and the rapid pace of capital market integration world-wide that seem to be the driving forces for change. The issue of tax harmonisation, seen as important by some for the protection of tax bases for social protection, illustrates how the debate about social policy is being fought in terms of fair or unfair competition between regulatory and fiscal systems world-wide rather than in relation to monetary union.

Monetary union remains a force for change in each of the three areas discussed in this volume. The ECB has pointed to the need for structural reforms, on-going fiscal discipline, and reform of national systems of social protection. The introduction of the euro has also been a major stimulus behind the unfolding story of capital market integration. But monetary union has turned out to be neither the driving force nor the determining factor that was once assumed. A number of the essays in this volume assume that Europe's institutional deficit would arise from technocratic, ECB-driven change. But with change coming more from market forces, the relevant questions and the institutional diagnosis alter. Answers to the three core questions posed by the volume are not given by these essays and would require looking at from a different and broader perspective.

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