Political economy, economics and development

The future of the euro. Edited by Matthias Matthijs and Mark Blyth. Oxford and New York: Oxford University Press. 2015. 339pp. £57.60. ISBN 978 0 19023 323 5. Available as e-book.

This is quite simply the best edited book that I have read in a long time. Indeed, it is a vindication of the very merits of edited books, which have lately fallen out of favour with many academics on the grounds—for which there is no evidence—that they do not cut the mustard in the world of formalized research assessment. However, what Matthias Matthijs and Mark Blyth have done here shows exactly how to deploy this genre to excellent effect. What you do is assemble the very best analysts of the chosen issue, set them clear questions that fit into a coherent intellectual agenda, discuss their initial papers at a workshop that explicitly encourages contributors to engage with each other's arguments, and then firmly but judiciously edit the revised versions into a whole that is inevitably then greater than the sum of the constituent parts. The outcome is the production of a better book than any of the editors or contributors could have hoped to write on their own.

It is fortunate, too, that the editors and contributors have taken as their core question the future of the euro, because the crisis of the new European single currency has indeed threatened (and may still threaten) to bring down the whole edifice of postwar European integration, with the gravest of consequences. Europe is in trouble and we need to understand what has happened and what our options are. Matthijs and Blyth are sage guides. They have divided their book into three distinct but subtly interrelated sections. The first poses 'the euro problem' and argues that 'the currency's lack of "embeddedness" in truly supranational European financial, fiscal, and governance institutions was a significant omission that would eventually come to a head', as we know it did in 2010–12. The second section considers 'the euro experience' and tells the story of Europe's economic divergence (as opposed to the proclaimed likely economic convergence) by reference in turn to Germany, France, Italy and Spain, with plenty of passing references also to Greece. Finally, the third section turns to 'the euro future' and assesses it from different perspectives: through the politics of its reluctant German leader; through the capacity of the European Union as a whole to build something better out of crisis, as many of its advocates and analysts claim it has always been able to do; and through the lens of the wider global political economy wherein the euro acts as a global reserve currency.

Every chapter in the book is worth reading and adopts, to the editors' credit, the same careful, judicious and thoughtful tone. I had my favourites, as every reader will, but I will not single out any chapter, because (unlike many edited books) there are no duds at all. Many of the chapters also cross-reference each other in clever ways, which again adds to the sense that we are being presented with a considered and coherent overall argument about the political economy of the euro by a group of like-minded observers.

The book concludes with an ambitious summary chapter written by Matthijs and Blyth themselves. In it, they seek to assess 'possible futures, risks, and uncertainties' relating to the euro and, in so doing, they produce rich food for thought. They argue that, 'without developing a political process to legitimately embed its economic and financial institutions', the future of the euro will be 'fragile at best'. They affirm that Europe knows which institutions need to be built; that there are no technocratic, but only political, solutions; and that the major current risks derive from decisions to give priority to national-level austerity strategies over the restoration of eurozone growth. They assert, intriguingly, that the key

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to the actual future that will unfold depends, above all, on how 'the timing of politics outside Germany' interacts with 'the timing of German politics'. Lastly, they suggest that the eurozone 'will gradually take over the EU in institutional importance' and note that this will have significant consequences for 'euro-outs' like Sweden, Denmark and of course Britain.

On this note I should perhaps mention a final thought that struck me again and again as I devoured this fine book: namely, just how trivial and superficial, and in many ways irrelevant, is the standard British debate about the country's role in or out of the EU when compared to the critical, indeed existential, issues around the euro with which the leaders of Germany, France, Spain, Italy and others have been grappling. It is no wonder that David Cameron struggles even to get into the diaries of these leaders as he seeks to pursue his narrow little agenda of renegotiation.

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Structural change and industrial development in the BRICS. Edited by Wim Naudé, Adam Szirmai and Nobuya Haraguchi. Oxford: Oxford University Press. 2015. 528pp. £65.00. ISBN 978 0 19872 507 7.

In the relatively short period since Jim O'Neill of Goldman Sachs coined the term BRICs in 2001, Brazil, Russia, India, China and South Africa (which was invited to join the group in 2010) have become a crucial reference in the debate on economic development, global governance and international security. This book makes an important contribution to our understanding of the role of structural changes in first sustaining the emergence of the BRICS economies (expressed in terms of their parts of global GDP, global manufactured value added and global manufactured exports) and then making them resilient enough to weather the global economic crises.

Structural change and industrial development in the BRICS examines the emergence of the BRICS over the past three decades, identifies both differences and commonalities, and derives lessons for other industrializing countries. Six country studies (two on China) provide a detailed analysis of the long-term experiences of each of the countries. A set of thematic studies focus on specific topics such as global value chains; the role of transnational corporations in the food chain; the role of foreign versus domestic investment and of domestic versus foreign demand in economic growth; and the diffusion of environmental energy technology.

Three chapters are of particular interest. Gaaitzen de Vries and co-authors 'deconstruct' the BRICs (without South Africa in this case), to show the linkages between structural transformation and aggregate productivity growth. Their contribution is derived from a new database that provides trends in value added and employment at a detailed 35-sector level. Structural decomposition analysis suggests that reallocation of labour across sectors is contributing to aggregate productivity growth in China, India and Russia, whereas in Brazil it is not. However, this result does not apply when a distinction is made between formal and informal activities within sectors. In Brazil, increasing formalization since 2000 appears to be growth-enhancing, while in India the increase in informality after the reforms has reduced growth.

Justin Lin—possibly China's best-known economist and a former Chief Economist of the World Bank—analyses the role of industrial upgrading in reducing poverty in China. He and Miaojie Yu argue that a 'dual-track' strategy has allowed successful economic reforms. On the one hand, the government provided transitional protection and subsidies to mature