

Making the EMU: The Politics of Budgetary Surveillance and the Enforcement of Maastricht

James D. Savage

Oxford University Press, Oxford, 2005, ix + 239 pp., £49, ISBN 0-19-927840-7 (hbk)

In the 1990s, EU member state governments delegated budgetary surveillance powers to a relatively minor Commission agency, Eurostat. They did so to ensure the credibility of their commitment to meeting the convergence criteria prior to entry into EMU's Stage III in 1999 and to meeting ongoing fiscal policy commitments in the Euro-zone. Eurostat performed the necessary monitoring tasks that ensured the Commission an important 'gate-keeping' role, determining whether member states had met the Maastricht Treaty's debt and deficit criteria and thus were eligible to enter Stage III. The annual publication of the Commission's convergence reports – based on Eurostat reports – was an eagerly awaited event in Stage II of EMU (1994–98) as they were widely seen as the most objective and thorough indication of national preparedness for Stage III entry. Given the greater credibility of these reports over national reports, it would have been very difficult for the European Council to have ignored them in determining its position on entry.

Savage's book is an impressively researched and surprisingly engaging account of a relatively arcane subject. It is a convincing application of delegation theory, used to reveal a hitherto unexplored but clearly crucial element in the complicated process leading to the start of EMU's Stage III and the application of Stability and Growth Pact rules and Broad Economic Policy Guidelines which form the core of macroeconomic policy coordination in the Euro-zone. The lack of human and other resources did not fundamentally undermine the central role of the Commission in budgetary surveillance in Stages II and III. This was in large part because of Eurostat's efforts to create harmonised and credible budgetary data – through the development of the European System of Integrated Economic Accounts (ESA) – and its attempts to control what it regarded as member state budgetary manipulation. Savage's study demonstrates the importance of Eurostat's 'painfully hard-won reputation for political independence, adherence to professional standards, and transparent decision-making' (p. 4). As delegation theory would predict, even though the development of Eurostat's capacities might be considered politically problematic for governments seeking to bend the rules, the member state governments 'identif[ed] with the integrity of the procedure, particpate[d] in its development, and promote[d] the use of these rules in member state policy-making' (p. 5). The member states did so because these procedures and rules reinforced the credibility of their commitment to the EMU project. In the book's final chapter, Savage examines the impact of the scandal at Eurostat that erupted in May 2003 over allegations of fraudulent contracts to statistical consulting companies. Continuing his application of delegation theory, the author convincingly argues that the scandal failed to undermine fundamentally the autonomy and credibility of this agency.

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Trading Voices: The European Union in International Commercial Negotiations

Sophie Meunier

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European integration (EI) scholars initially concentrated on describing and explaining the creation of the EEC and integration processes and outcomes.

Scholarship then began to conceptualise the EU as a form of political system and analyse its supranational governance processes and outputs. Meanwhile, the most recent wave of EI literature has focused inward to examine the effects on domestic politics and the consequences for democracy. Within this historical disciplinary context, Meunier's *Trading Voices* makes an important turn. It examines how the process of integration affects the EU's relations with outsiders, including its own bargaining power and position in the international system (p. 14).

Specifically, Meunier explores the process of 'trading voices' in the EU or the institutional mechanisms through which a single EU voice is translated into external bargaining power in trade policy. Meunier's argument is that the EU's complex institutional structure 'exerts an independent causal effect on the process and outcome of international negotiations, given an exogenous distribution of national preferences' (p. 16). European Commission officials such as former EU Trade Commissioner Pascal Lamy have recognized the importance of the EU's institutional apparatus, arguing for more extensive delegation of trade competence by member states to the supranational level. The conventional assumption has been that institutional rules allowing for more effective decision-making in Council and more autonomy for Commission representatives to present a unified front in external negotiations strengthen the EU's leverage in international bargaining with the US and other third parties.

However, Meunier's study shows: 'the international bargaining power of the EU is not a linear function of its degree of integration' (p. 166). The ways in which the EU's institutional rules impact on its bargaining power and, in turn, international trade negotiations, are more complex than Lamy's 'United we stand, divided we fall' argument. Instead, Meunier finds that different formal and informal rules for making decisions and for delegating various degrees of negotiating authority to the supranational level contribute to the extent of the EU's external bargaining power. For example, when the EU is trying to preserve its status quo in international trade negotiations (the conservative case), unanimity and restrictive delegation make the EU the toughest bargainer. However, when the EU is the demandeur of change in the policy status quo of its opponent (the reformist case) and negotiation proceeds, QMV and extensive delegation can strengthen its influence. In sum, Meunier asserts that the degree of supranational competence and the type of negotiating context influences the EU's ability to speak with one voice, and thus ultimately the likelihood of concluding an international trade agreement and shaping its substantive content (p. 48).

Accordingly, *Trading Voices* makes a significant theoretical contribution to the EI literature in demonstrating when or under what conditions institutional integration matters in ways not predicted by power and preferences alone. It also contributes significantly to the new institutionalism agenda in political science, as well as IPE and IR literatures that address the interactions between domestic, supranational and international levels of analysis. Indeed, this is an original, systematic, sophisticated and successful attempt to build on EI research and combine varying literatures.

Strengths of the study are that the research design was carefully crafted and the institutionalist hypotheses were explored empirically in four cases – EU–US trade negotiations in agriculture (Kennedy Round and Uruguay Round), public procurement and air transport. For example, cases were selected appropriately on the basis of variation in the independent variables (among other considerations) (pp. 72–3). The evidence presented in the case studies was also compelling, with the competing power and preference-based explanations considered in the conclusion. Some readers might take issue with some of the assumptions of the model and hypotheses in chapter two (e.g., 'black boxing' the negotiating opponents' domestic constraints, exogeneous preferences), but Meunier provides ample caveats regarding

limitations and the trade-offs between parsimony and complexity. She also addresses well the issue of over-determination in explaining international trade negotiations and to what extent the institutional features influenced outcomes.

Finally, *Trading Voices* has important policy implications (pp. 184–7). EU and other countries' trade officials would be well advised to read this book and gain insight into the implications of EU integration and institutions on international trade agreements.

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Reforming European Welfare States: Germany and the United Kingdom Compared

Jochen Clasen

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Even though the literature on welfare state restructuring has been a 'growth industry' over the last few years, detailed and contextualised studies of national developments over long stretches of time are still relatively few. Even fewer are detailed and contextualised two-country comparisons, i.e. those most suited to identify, precisely, the most significant dimensions of cross-national variation and to test the fine grain of causal hypotheses. This book by Jochen Clasen is a very fine example of this under-cultivated genre of comparative welfare state research.

The volume focuses on the UK and Germany and traces the reform process in these two countries since the early 1980s. Three policy areas are considered: pensions, unemployment support and family policy. The empirical base is essentially qualitative: the author has collected information on the main legislative changes in these three areas, summarising them in a systematic fashion in a very useful appendix. The research questions are clearly outlined at the beginning of the book and have to do with both intra-country and cross-national variations. To what extent have the shifts from conservative to centre-left governments made a difference for welfare reform in the UK (with Blair) and in Germany (with Schröder)? Have the reform trajectories of the two countries confirmed the traditional distance between their welfare state models? Or has there been convergence/more divergence? And what explains the observed developments?

One general answer that emerges from the author's analysis is that programme structures make a lot of difference. In pensions, for example, reform trajectories in both countries have been highly constrained by policy legacies and path dependencies. Changes in government have not resulted in significant path shifts; the UK and Germany have kept on distinct and, in fact, divergent courses. In the field of unemployment both countries seem to have adopted the new 'activation' approach and discourse. But, again, they have kept largely loyal to distinct national policy traditions – with the UK acting as a pioneer of the new workfare approach. In contrast to pensions and unemployment, the field of family policy has offered much wider margins of manoeuvre for intra-national policy innovation and for cross-national convergence. Both in the UK and in Germany the conservative governments of the 1980s and early 1990s had substantially preserved the traditional 'male breadwinner model', paying only lip service to 're-conciliation' issues and showing no interest in promoting an expansion of publicly provided or financed child care. However, with the advent of centre-left governments, this area of the welfare state started to attract increasing attention and new policies were launched by both Blair and Schröder. The indicators of cross-national convergence remain modest. But at least there seems to be a terrain where political choice can break partially free of institutional stickiness – a terrain which also happens to be crucial