The Euro: The Battle for the New Global Currency. By David Marsh (New Haven, CT and London: Yale University Press, 2011), xi + 386pp. £12.99/$20 paper.

Where did deep political, economic and monetary integration in Europe come from? Integration has been a continuing attempt to resolve the 'German problem': in essence the struggle of other European countries to reach a lasting accommodation with their most powerful neighbour.

In his fine book, David Marsh explains how the development of the euro can be understood in this context: as an attempt to constrain a reunified Germany. Participating in the single currency was the price Germany paid for to her partners for their support for reunification. But he concludes that the travails of the euro have now left Germany with the burden of a difficult choice. She can abandon the currency at the economic cost of a "murderous revaluation" (of 100 per cent in the view of one of Marsh's authoritative sources!), and at potentially great political cost. Or she can stay on board and assume the considerable financial burden of holding the project together.

And there are other complications. A consistent theme of the book is that the German economy has played by the euro area's implicit rules in the sense that it has conformed to the strictures of optimum currency area theory. Its sluggish growth in the euro's first decade generated a fall in the German real exchange rate that German workers bought with wage sacrifices. Other euro area countries have not managed to do the same, or – burdened by state bankruptcy, austerity, economic crises and political turmoil – cannot do so over a realistic timescale. Marsh concludes that this means the likely fragmentation of the euro area so that its membership scales down to a level at which its basic economics works, reflecting a necessary compatibility amongst euro countries. How this will happen and with what economic and political consequences is unknowable.

So the big themes of the euro are well explained and with appropriate nuance. For example, in discussing the origins of the single currency in the 1990s, Marsh argues that although there was no *explicit* bargain over the euro and German reunification, without reunification Germany might not have agreed the timetable for the euro laid down at Maastricht. At the same time, German public anxiety over the surrender of the D-mark became a tool for imposing a German stamp on the shape of the euro's institutional forms, with the Bundesbank adopted as the European Central Bank's model of mandate.

The unmatched strength of the book lies in its sources. Marsh has personally interviewed more than ninety individuals from a variety of countries many of whom were at the heart of the process that created the euro or have been intimately involved in its development to date. This work has produced some material of exceptional richness and constitutes a bedrock of serious scholarship from which no-one could fail to learn.

Want to know why the Netherlands anchored its pre-euro monetary policy to Germany's for so long? The Dutch finance minister for most of the 1980s explains. Want to know why Britain chose not to join the exchange rate mechanism (ERM) upon its launch at the end of the 1970s? The Chancellor of the Exchequer at the time – Denis Healey – suggests that Britain had an America-before-Europe policy even then and it was this that chiefly informed the decision. Can there be a sympathetic reading of Britain's painful and short-lived membership of the ERM that ended so ignominiously in 1992? The architect of this policy – Prime Minister John Major – argues, not disinterestedly, that there can. The present reviewer remains unconvinced but the argument and Marsh's general handling of this episode I found fascinating. Want to know how the French viewed the trade off between German reunification and the agreement of the euro timetable? The French Prime Minister at the time gives us his view. How did the Italians reconcile the tension between the loss of an independent exchange rate that could leave Italian industry uncompetitive against low-cost producers in Germany and the promise of European-level sovereignty that a seat at the euro table would give them? Romano Prodi, Prime Minister of Italy in the 1990s and later President of the European Commission, provides some background. These are just a few particularly interesting examples; there are many more skilfully woven into the narrative, providing context and depth of explanation.

The book adopts an historical perspective and for the most part the elements of monetary integration that pre-date the euro are well handled. However, on occasion, the analysis omits what might have been potentially illuminating issues. For example, the discussion of the Bretton Woods system might have referenced the Triffin Dilemma and the likely consequences of a fixed system that developed without an adjustment mechanism, particularly as these problems informed some later innovations in, for example, the ERM.

Ultimately though, these are quibbles. This is a hugely impressive work that deserves to become a standard reference on the genesis and chequered development of the euro.

Chris Mulhearn

Liverpool John Moores University

Redmonds Building

Brownlow Hill

Liverpool L3 5UG

United Kingdom

c.j.mulhearn@ljmu.ac.uk