

Industrial Productivity in Europe. Growth and Crisis

edited by Matilde Mas and Robert Stehrer

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reviewed by George Polychronopoulos*

The recent economic crisis has affected not only the most advanced countries but also the less advanced ones in the European region. A vast amount of literature has focused on the explanation and impact of the economic crisis at the macroeconomic level, with less emphasis, however, on sectoral developments in relation to output, productivity and employment growth.

Within this context, this book is a very timely contribution to economic sector development, from an international perspective, providing unique cross-country comparisons. Mas and Stehrer have collected publications that explore growth patterns at the economy and industry level from a long-run perspective in the EU-25 countries and the US, Japan and Korea. More specifically, data for 1970-2004 are available for the 'old' EU-15 countries and for the US. Series from 1995 onwards are available for the new EU member states which joined the EU on 1 May 2004 (EU-10). Due to data limitations, the coverage differs across countries, industries and variables.

Each contribution to this book builds on a common methodology based on the detailed database of the EU KLEMS project (K for Capital, Labour, Energy, Material and Services) supported by the European Commission. The EU KLEMS project has been designed to analyze the characteristics of growth and the patterns followed by productivity and its determinants in industrialized countries. The variables covered by this database can be split into three main groups: (1) basic variables; (2) growth accounting variables and (3) additional variables. The basic series contain all the data needed to construct single productivity measures, such as labour productivity (output per hour worked). These series include nominal, volume and price series of output and intermediate inputs, and volumes and prices of employment. The variables in the growth accounting series include series of capital services, of labour services, and of

* Professor, Technological Educational Institute of Athens, Greece

multi-factor productivity. Finally, additional series are given which have been used in generating the growth accounts and are informative in themselves. These include, for example, various measures of the relative importance of ICT (Information and Communication Technology)-capital and non-ICT capital, and of the various labour types within EU KLEMS.

KLEMS type models are characterized by two differential features. First, the consideration of gross output as an important variable of the growth analysis. Second, the high degree of disaggregation into sectors or industries; this is based on the assumption, that an enormous heterogeneity exists among the sectors of the economy. Hence this book plays a valuable role in detecting the key areas of growth and slowdown for individual countries and individual industries, as well as the convergence and divergence across economies. Furthermore, it links the variables over time as it takes into account the changes occurring in the composition of capital and labour over the course of time.

Contributors to this book include distinguished academics from eighteen research centers and institutions, such as Professor D. W. Jorgenson from Harvard University and Professor N. Oulton from the London School of Economics. The papers are divided into three parts. Part I provides an overview of the main findings of the EU KLEMS project from an overall perspective, Part II offers detailed descriptions of the individual countries' performance including France, Germany, UK, Belgium, Austria, the Netherlands, Spain and Italy, the Nordics, central and eastern European countries, Japan and Korea. Part III presents some additional results obtained by using the EU KLEMS database on specific topics.

Here lie two potential weaknesses of this book: First, the papers provide only descriptive analysis of growth and its contributors. Second, the countries that present the most complete coverage are formed by the ten of the first 15 countries to join the EU-15. More limited information is provided for the EU-10 countries. In particular, Greece is covered only to a narrow extent, as in the general paper on productivity in the advanced countries, by M. Mas and, in the specific paper related to the skills and the competitiveness of EU manufacturing industries, by M. Landesmann and R. Stehrer.

Overall, this topical book certainly achieves its main goal, which is to deliver cross-country analysis at the total economy and industry level from an international perspective. It will prove an exceptional source of comparative data for academics, practitioners and policymakers.