# Book reviews

## Torben Iversen and David Soskice · 2019

## Democracy and Prosperity. Reinventing Capitalism Through a Turbulent Century.

**Princeton, NJ: Princeton University Press**

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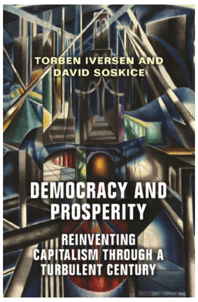


*Democracy and Prosperity*, the new monograph by Torben Iversen and David Soskice, reads like your typical political science treatise. It contains a few regressions, data on attitudes from the *World Value Survey*, median voters, comparisons of party systems, short historical case studies from the OECD world, and creative theory transfers from the new institutional economics. However this style of presentation is deceptive. *Capitalism and Prosperity* is a powerful and provocative intervention in current debates on the past, present, and future of democratic capitalism. In a time in which the political economic debate is being driven by titles such as *Capital in the 21st Century*, *How Democracies Die* and *How Will Capitalism End?*, Iversen and Soskice, two giants of comparative political economy, plead for relaxed optimism. Neoliberal policies and financialization? In truth, sound measures to unleash knowledge-based growth. Growing inequality? A problem of welfare states, not of capitalism. Financial and fiscal crises? Consequences of insufficient international coordination. The boom of right-wing populism? Primarily a problem of education and regional policy. To many post-2008 scholars of capitalism, this might sound somewhat bizarre. Structural crisis, immanent contradictions and gradual decay? No – even though democratic capitalism is in need of a number of repairs, it is overall *alive and well.*

The extensive connections to contemporary public debates conceal the fact that *Democracy and Prosperity* is a comprehensive intervention in *the* defining debate of political economy. From Locke to Marx to Hayek, the question of the compatibility and interplay between democracy and capitalism is the core issue of the discipline. And Iversen and Soskice have the rare ability to weave empirical research and theoretical arguments into a counter-argument that tries to stand up to widely-held theories of capitalism. In their view, economists' worries about the threat to free markets posed by too democratic democracies and social-scientific worries about the threat to democracies posed by overly free markets suffer from a similar fallacy. The relationship between democracy and capitalism is historically deeply symbiotic, not antagonistic. This theoretical intervention, however, is not the only – perhaps not even the central – contribution of the book. Along the way it develops suggestions for the improvement of some long-standing deficits of comparative political economy. The book integrates recent economic geography and comparative political economy by including subnational political economies, it renews the theory of *Varieties of Capitalism* with respect to the secular rise of the service economy and the problem of the *middle income trap*, and it connects historical research on democracy, the welfare state, and capitalism. Many of these analytical moves have been tried before; but in its density and clarity, *Democracy and Prosperity* is nevertheless a remarkable book – challenging, provocative, and productively irritating.

*An Equilibrium-model of Democratic Capitalism.* Throughout the book, Iversen and Soskice underpin their argument with the observation that historically *advanced capitalist democracies* have been extraordinarily resilient. Since the First World War, early capitalist democracies have remained structurally stable – "apart from temporary German and Italian lapses" (p. 4). The development of a theoretical model explaining this resilience is the primary goal of *Democracy and Prosperity*. The form of their theoretical approach should not come as a surprise to connoisseurs of the work of the two authors. Iversen and Soskice develop an equilibrium model in which aspirational groups of voters, profit-oriented firms and growth-oriented nation states keep each other in check (Figure 6.1, called "The symbiotic relationship", summarizes this model, see p. 259). The authors' claim that it is only thanks to this particular political-economic configuration that significant sections of the population, nation states, and firms – more or less deliberately – work towards the collective good of a prospering economy and robust democracy. Without intervention by nation-states, capitalists would tend towards stagnation and rent-seeking; without aspirational voters, governments would degenerate into *predatory forms*; and without the creation of sufficient economic opportunities and state containment of 'militant' labor movements, populations would hamper industrial development. At times, the model seems a bit economic-functionalistic, which – to anticipate – it repeatedly is.

For this model to plausibly apply to the development of the rich capitalist democracies of the last 150 years, Iversen and Soskice have to revise a number of common assumptions from political economy. Their quite detailed thoughts on (a) the distribution of power between capital interests and nation states, (b) economic voting, (c) the politics of economic policy, and (d) the growth drivers of the last fifty years are undoubtedly among the most insightful passages of *Democracy and Prosperity*.

(a) Throughout the book, the authors attempt to expose as a misconception the belief that internationally mobile capital limits the capacity of the nation state. The opposite may be the case. Historically, capitalist production has become increasingly *skill-intensive* and geographically clustered. Iversen and Soskice have large agglomerations of the new service economy in mind, such as Boston, London, Hamburg, New York City and the Bay Area. To the extent that capitalist firms are dependent on the resources of these new clusters, capital is anything but *footloose*. And if it is the case that the balance of power between nation states and capital interests depends above all on the credible withholding threats of the latter, political action should generally be interpreted as the "democratic choice of autonomous governments" (p. 156). In its radicality, this conclusion seems somewhat absurd in view of the library-filling research on the political influence of capital interests. However, it raises the exciting question of whether and when the tendency of new knowledge-intensive industries to form geographical clusters opens up an unexpected space for political action against corporate interests. Think, for example, of the recently unveiled, surprising capabilities of the American state to abuse large IT firms for its security policies.

(b) Iversen and Soskice are also firmly opposed to the assumption that voters' reasoning consists of short-term cost benefit-calculations. Instead, significant groups of voters reward parties having a reputation of being competent promoters of the *advanced sectors* of an economy. The reasons for this are personal and family aspirational dynamics, as well as a good deal of long-term rationality. The inclusion of meaning-based categories – such as expectations, reputation, attributions of competence and aspirations – in economic models of democratic elections is instructive and stimulating. In parts, however, Iversen and Soskice seem to overstrain the notion of rational choice. What prompts their meditations on the nature of economic voting is the ambition to harmonize the neoliberal reform wave of the eighties and nineties with a median voter model – Thatcher thus acted on behalf of, not in contradiction with, the enlightened interests of democratic majorities (pp. 167–171). The number of behavioral curves necessary to match model and reality, begs the question of whether an alternative model of representative democracy would not have been the simpler way – even if it would have entailed a reduction in the economy and elegance of the model as well as its normative thrust.

(c) Iversen and Soskice see a similar level of long-term rationality at work in the emergence of economic policies. They criticize the widespread economic folk-wisdom that governments are short-term maximizers of electoral chances and that democratic governments therefore tend to act in "irresponsible" ways. Instead, they argue that parties try to strengthen their reputation as 'responsible' economic managers across election cycles. This analytical move helps the authors to explain why self-interested political actors would push through "painful reforms" that may be in the long-term interest of economic development. The authors point to a bundle of reforms matching this logic: the massive expansion of tertiary education since the 1960s, market-making reforms in the financial sector, the liquidation of 'old industries,' and the reduction of international trade barriers, i.e., the common canon of 'responsible economic policy.' The extension of models of democratic politics is packed with interesting observations and insights. Nevertheless, the question remains if the original explanatory problem does not emanate from a simplistic initial model of representative democracy rather than from the behavioral assumptions *within the* model. Here and elsewhere, Iversen and Soskice are fighting on two fronts to connect with two heterogeneous literatures, one from economics and one from the social sciences.

(d) Lastly, *Democracy and Prosperity* exposes as a myth the assumption that economic development emerges spontaneously from free enterprise and markets or from technological shocks – especially in the past five decades. In line with a growing literature in innovation research, Iversen and Soskice argue that the rise of the *knowledge economy* was and is a state-induced process: "Capitalism was reinvented by democratically elected governments" (p. 143). It was only thanks to their education, investment and competition policies that rich democracies were able to develop technological inventions such as the microchip into catalysts for a growth regime. For readers familiar with recent innovation research in the social sciences, this is not too surprising.[1] In contrast to this literature, however, Iversen and Soskice do not focus on actual innovation policies, for example by the US Department of Defense, but on macroeconomic policies. The causal connection of many of these policies with economic development is not readily apparent. If it is true that financialisation has primarily pushed firms to realize short-term results, as documented by an extensive research literature, shouldn't they invest less, rather than more, in research and development? Similarly, the authors' assertion that Western states have tightened their competition policy regimes since the 1970s (p. 153) amounts to the exact opposite result of recent economic, legal, and social science research (Robert Bork influentially criticized *over-enforcement*, not *under-enforcement*, what notwithstanding might have been a boon to knowledge-based growth). Compared to the model of innovation from *Varieties of Capitalism,* in which 'radical innovations' – fitting the nineties – emerge in 'market-oriented' regimes, the more recent depiction seems much more realistic.

Equipped with these premises, Iversen and Soskice develop interpretations of four historical phases that fit in with their main thesis of a symbiotic relationship between democracy and capitalism: the emergence of capitalist democracies and Fordism, the emergence of the *knowledge economy* and the recent boom of right-wing populism. For all periods, the authors try to show that politically potent cross-class coalitions have formed to develop and stabilize the respective political-economic regimes – to the advantage of democracy *and* capitalism. None of the regimes was essentially characterized by a simple class conflict between capital and labor; rather, alliances between the capital-owners, educated workers, and aspirational classes were decisive.

In early democratization processes, for example, they observe two typical processes. In countries with fragmented labor movements, coalitions between workers, the urban middle class and the industrial bourgeoisie formed that supported elite-driven democratization processes – especially to expand accumulation-friendly public goods such as education and sanitation. Iversen and Soskice call this democratization path *protoliberal* because it has led to majoritarian electoral systems and a comparably modest expansion of the welfare state. In countries with well-organized labor movements – called *protocorporatist* – democratization tended to prevail against the interests of elites, which explains why more comprehensive redistributive institutions and systems of proportional representation prevailed.

As usual in comparative political economy, the authors depict the golden age of cross-class alliances in Fordism. Fordist regimes relied on coalitions between the middle and working classes and on an arrangement between large manufacturing companies and a moderately redistributive policy. As a result, the interests between "urban and rural areas, between large and small cities and between different quarters in cities" were held in balance (p. 108). It is precisely these alliances of interests that have eroded in the *knowledge economy.* This erosion, however, had less to do with a counter-movement of capital interests than with a political reconfiguration of cross-class coalitions in response to technological change and the exhaustion of the Fordist growth model. Since the 1970s, the well-educated strata, urban regions, and their political representatives have split off not only from the lower middle class and lower class, but also from suburban and rural areas. Even if these new alliances were capable of winning a majority *and were* conducive to capitalism, they have created an opening for populist counter-movements. In this respect, populism is not a danger inherent to the new growth regime, but a problem caused by a lack of inclusive policies. Thus, more inclusive regional, educational and redistribution policies may send right-wing populist movements back into insignificance.

Broadband expansion, publicly funded tertiary education, *Coding Bootcamps*, and Scandinavian *flexicurity* instead of "Aufstehen!" Demands to finally support the losers in knowledge capitalism in their 'catch up' modernization are nothing new. However, Iversen and Soskice show a confidence that is rather rare in current debates that the winners of the *knowledge economy* will develop an enlightened self-interest to get less fortunate groups on board or to compensate them. And they are equally optimistic that the repair of contemporary democratic capitalism is above all a question of political will to better distribute its economic benefits. Such optimism presupposes that there are viable ways to sustainably compensate for the imbalances of the *knowledge economy.* And it presupposes that populist movements actually feed on a primarily material dissatisfaction. In fact, the regional examples of successful post-industrial restructuring selected by Iversen and Soskices stand in contrast to at least as many regions in which ambitious restructuring programs undertaken since the mid-1970s to cushion the damage caused by massive deindustrialization have comprehensively failed. While the authors have by no means missed cultural fault lines in contemporary knowledge capitalism, they are confident that cultural fault lines play second fiddle. If it is the case that the new right-wing populism thrives on the basis of significant non-economic motives such as xenophobia and concerns about the loss of social status, appeals for material compensation and cosmopolitan inclusion would be of little help.

*Democracy and Prosperity and the debate on capitalism.* In my view, much of what can be criticized about *Democracy and Prosperity* can be traced back to the fact that Iversen and Soskice connect to extremely heterogeneous debates and literatures. Things that may seem particularly unrealistic to most sociologists are core assumptions of the economic democracy and capitalism debate. While the economic variety of the thesis of the incompatibility between democracy and capitalism rarely figures prominently in critical social science discourse, it is enormously influential both in international scholarly discussions and in political debates. The reference to this debate explains why the authors assume, without any further qualification, that innovations emerge from intensified competition, that the neoliberal reforms of the 1980s and 1990s were unambiguously necessary and economically appropriate, and that institutional regimes are stable when they sufficiently function in economic terms. The ambition to connect not only to social scientific, but also to economic debates had arguably already shaped the *Varieties of Capitalism*. And almost twenty years later, it is by no means clear that this was a profitable strategy for this now classic work.

It can thus be assumed that *Democracy and Prosperity* will be met with structurally similar critique in the social sciences as *Varieties of Capitalism*. To some extent, the authors seem to anticipate such reactions. Passages that sound very economic-functionalist – in which the economic function of certain institutions is quickly cited as the reason of their emergence – contain extensive concessions that emergence only happened after extensive conflicts, irrational action, and political experimentation. Such decorations do not really change the explanatory logic. Given that Iversen and Soskice designed a model for the understanding of 150 years of political and economic history across the OECD world, their arguments are suspiciously clean and neat. One and the same logic of development fits Great Britain in the late 19th century and in the USA in the early 21st century? Critical objections will probably be forthcoming very soon. However, if *Democracy and Prosperity* were to succeed in sparking a debate as lively as the publication of *Varieties of Capitalism*, its pointed formulations and simplifications would have been more than worth it. If *Democracy and Prosperity* is understood as an argumentative quarry for future empirical research – instead of a last word in the debate on democratic capitalism – the book's potential becomes clear.

## Endnotes

A German version of this review has been published with Soziopolis available at https://soziopolis.de/lesen/buecher/artikel/crisis-what-crisis

1 The 2011 anthology *State of Innovation, The U.S. Government's Role in Technology Development*, edited by Matthew Keller and Fred Block, and the monograph by Mariana Mazzucato, *The Entrepreneurial State, Debunking Public vs. Private Sector Myths*, published in 2013, offer a good introduction to recent social science research on innovation policy.

Sriya Iyer · 2018

# The Economics of Religion in India

Cambridge, MA: Harvard University Press

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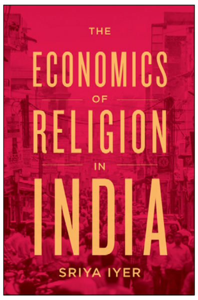


The *Economics of Religion in India* comes with a fancy dust jacket. Gold letters on a red background will make it an eye catcher that shines out between the more sober covers of the academic books in our offices. On the back it carries enthusiastic endorsements from several of the most central figures working in economics of religion and, running to 304 pages, it weights heavy in the hand of the reader. There are not many recent academic books on religion in India from top university presses and certainly none on the economics of religion in India. All this raised my expectations. I was so looking forward to this book so much that it is perhaps not surprising that I was disappointed on finishing it. The stakes were simply too high!

After first giving you an overview of the content of the book, I will then explain what are the highlights and the downsides of the book. Do not get me wrong, this is a solid book, and the author deserves all possible praise for pioneering the economics of religion approach in the Indian case – what I criticize are minor points that could be taken as points of departure for future research.

The book comes with a massive nine chapters, structured around the central questions of the economics of religion approach. Theses chapters try to answer central questions on the connection between religion and conflict, the impact of religious conflict on growth, religious competition and the provision of religious services, as well as religious competition and the provision of non-religious services (e.g. schooling and welfare services).

The theoretical backbone remains the spatial models and assumptions that guide most of the economics of religion. These argue that, with higher density of different religious providers, churches are likely to provide more religious and non-religious services. In turn, this leads to attracting more followers, more worshippers and higher religiosity. These models were originally developed to explain the persistently high religiosity in the US, an outlier where levels of religious adherence remain high in a modern capitalist society. It is important that Iyer tests the power of these explanations on the Indian case.

The data on which the book is based comes from a massive survey that Iyer and her research team have conducted in India. The survey is a fantastic opportunity to critically engage with the major claims of the economics of religion approach. Iyer relies, surprisingly for an economist of religion, almost exclusively on descriptive statistics from her survey. There is only one regression table in the book. Hence, instead of causal claims each chapter has a lengthy literature review followed by a description of the relevant part of the survey. The literature reviews are exhaustive and detailed, but unfortunately unfocused, containing an endless series of paragraphs that are not crafted towards a clear-cut research question or towards the formulation of hypothesis that could be tested. From this it follows that the chapters' conclusions are also vague, without taking a definite stance. This makes the book a descriptive and detailed data source for the study of religions in India that gravitates around the survey conducted by Iyer, but there is no testing of the major claims of the economics of religion approach. By mainly presenting descriptive tables, the book also does not make use of advanced econometric methods, the main power source of the economics of religion.

Luckily, the book has some other highlights that are more subtle and can be found on the fringes of the chapters. Especially interesting is Iyer's finding that there seems to be a huge discrepancy in the actions of religious entities before and after the early 1990s, which represent a watershed in liberalizing the Indian economy. After the 1990s, we see more religious service provision, more non-religious service provision by religious actors (welfare, schooling), more religious violence and riots and higher religiosity. Iyer points to the accelerated economic development and massive growth rates of India starting with the 1990s. Liberalization and de-corporation of Indian society led to growth but also to more inequality. Iyer speculates that inequality is the real driver behind the increased action of religious actors that she observes since the 1990s. This is only a fringe topic in the economics of religion approach so far and largely used only when it comes to the substitution effect, namely that state welfare is replaced by religious welfare if it declines or becomes insufficient (e.g. through massive socio-economic change). Exploring this topic in detail could have been the central unifying claim of the book. I think Iyer is right in calling out the connection between rising inequality and a rapidly changing social structure and the provision of religious services. Judging from historical sociological studies on the evolution of the welfare state in Europe and its connection to religion, we can see that religious ideas and religious action on welfare accelerates when the old social fabric gets disrupted, like at the end of the 19th century in continental Europe. This leads in some cases to the formation of the welfare state and in others to a reinforcing of faith-based welfare provisions (van Kersbergen 1995, Hien 2012).

Unfortunately, Iyer is not able to delve deeper into the relation between economic development in India and religion since the book lacks a section on the socio-economic ideology of the different religions in India. Apart from a brief mention of Zakāt, there is no detailed description of what the different religions in India prescribe about welfare, economic competition, economic growth, the role of the state in the economy or whether their basis of society and economic action is the individual, the family, the male patriarchic breadwinner, or larger social entities. A look into the fruitful theoretical and empirical works of the scholars who developed the field of the economic-sociology of religion at the Max Planck Institute for the Study of Societies, like the path breaking works of Sigrun Kahl (2005), Philip Manow (Manow 2004, Manow and van Kersbergen 2009), Ipek Göçmen (2013), and to a lesser extent Josef Hien (2017, 2017a), would have helped. The book is so rich with data that a more thorough engagement with the prescriptions and expectations of different religions in India could be a great point of departure for Iyer's or other colleagues' future work.

Besides these points, which should be seen less as criticism than as encouragement for future work and expansion of the arguments, there are some great passages triggering aha moments in the book. These include the mentioning of temples that have a stock of 800 cows that can be rented out in times of drought or economic hardship to peasants in the surrounding villages as a form of religious welfare provision. Such passages are eye opening for a scholar of the economic sociology of religion in Western Europe, since they show you how narrowly one thinks about the topic. Also insightful was the fact that many of the rites used in the European literature as indicators for the decline and substitution of religion with third wave practices like yoga and Ayurveda are in the Indian case actually core parts of religious practice. Just these points alone would have made reading this book worthwhile!

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Matthias Thiemann · 2018

# The Growth of Shadow Banking: A Comparative Institutional Analysis

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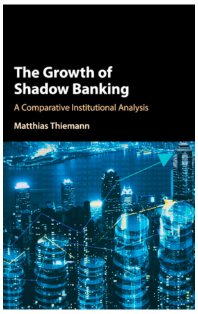


The financial crisis of 2007/08 threw into sharp relief the complex system of credit intermediation that had developed over the span of several decades in global financial markets. Widely known as shadow banking, or market-based finance in technocratic discourse, the system disrupts the vertical-hierarchy organisation of bank-based finance into a chain of entities that together perform the activities of a traditional bank. Crucially, even though banks became heavily involved in it, this system remained outside of banking regulation as the activities which constituted it were kept off-balance sheet. What were the conditions that allowed for this, and what to make of so much *national* variation in exposure to the shadow banking system?

These questions are at the heart of Matthias Thiemann's *The Growth of Shadow Banking: A Comparative Institutional Analysis*. Drawing on eighty-five interviews between 2010 and 2016, the work centers on the dialectical unity between the regulator and the regulated. The two have opposing interests, where the latter seeks to circumvent rules while the former reacts in degrees of regulation. Yet there is a sense in which each requires the other to exist and this factor influences their decisions. In addition, the structural and institutional context in which this exchange unfolds needs to be appreciated, particularly in how it structures behaviour. This nuanced approach stands in contrast to literature that blames bankers' agency in regulatory capture for widespread regulatory laxity. Though it is not excluded in certain instances, this theory is deemed as lacking in explanatory power to provide a comprehensive picture, not least to explain the variation on a national level.

The first half of the book explores the growth of shadow banking, focusing on a central market – the asset-backed commercial paper (ABCP) market in the US. It attributes this development to the growing competition banks faced from non-bank entities and international banks in the 1950/60s. This pushed banks to embrace their competitors' practices by shifting from traditional credit towards off-balance sheet financing. In a crucial decision in 1988 by the Basel Committee, short-term liquidity facilities were deemed as low-risk, hence remaining free of capital charges. This fuelled the growth of ABCP conduits sponsored by the banks themselves; conduits which in actual fact harboured long-term assets and were thus credit facilities *disguised* as liquidity facilities. As Thiemann argues, while a faction of the US Federal Reserve voiced its concern about the risks involved around these practices, it was overruled by those pushing a deregulation agenda firmly entrenched in a belief of self-regulating markets. In spite of this, in a clear case of regulatory agency, the pro-regulation faction within the Fed later exploited the global negotiations for Basel II and succeeded in regulating the bank's credit exposure to these facilities in the US.

It was the Basel Accords themselves, contends Thiemann, which created the structural conditions that shaped the regulators' agency, especially in Europe. The Accords established a set of common international rules for banking services, resulting in competition resurfacing at the margins of these rules. National banks could only remain internationally competitive if they were allowed to engage in off-balance sheet activities. Crucially, since Basel did not cover these practices, the latter's regulation was left to the discretion of the national regulator. This structural disjuncture between the international and national level gave rise to an alignment between the interests of the banks of a particular jurisdiction and those of the *national* regulator. For the banks, any additional (national) regulation over and above the international ones would impact on their global competitiveness. The national regulator thus put these concerns at the forefront of regulatory decisions.

Thiemann presents in impressive detail a comparative analysis of three European national systems that vary in terms of regulation and exposure to this market – France, Germany and the Netherlands. He argues that the structural disjuncture between the national and international level, one which is largely overlooked by current literature due to its overemphasis on international regulations, led to a regulatory race to the bottom in Europe. Despite this general trend, there were a few exceptions. In France, for instance, the government's protectionism of its banking system before liberalisation and the oligopolistic structure that ensued thereafter, ensured that the French banks were internationally competitive. This freed the French regulator from its concerns about banks' competitiveness, and thus it was possible to push through regulation.

While important, this structural element is "*only a necessary but not a sufficient condition*" (p. 142) to explain the three cases' variation. The institutional embeddedness of the regulator in banks' activities and rule compliance is a further factor which influences its intervention capacity. Thiemann gives particular attention to the interaction order of the actors by drawing on the social studies of finance and the literature on experimental governance and regulatory dialogues. The first evident case of this is in the context of accounting standards in 1998, where transnational pressure impacted on the institutional role and embeddedness of the regulator in the area of accounting. While the German and Dutch regulator failed to be included in the policy network, in France it established a firmly embedded and institutionally legitimate role that allowed it to tighten accounting standards.

Beyond standard setting, the regulations' effectiveness is determined by the regulator's capacity to enforce their interpretation and compliance. It is here that the emphasis on the regulator's embeddedness can be best appreciated. In Germany, the regulator performed off-site mechanical checks using information provided by the banks themselves and only monitored by auditors. This detachment led to the regulator's decision to eschew further regulation. The Dutch regulator enjoyed discretion in banking regulation but was cut off from accounting standard-setting and supervision. The regulator thus accepted the industry's claim that conduits carry no risk, and applied no capital charges. In contrast, the French regulator maintained a strong presence and dialogue with the banks and auditors. This allowed it both fine-grained knowledge about bank practices as well as the capacity to shape banks' interpretations of rules.

In diametrical opposition to literature that is critical towards the closeness between the regulator and the regulated, this finding implies that rather than resulting in regulatory capture, proximity to and regular dialogue with the regulated can be key to regulatory effectiveness. Though a compelling argument, it remains to be seen how this regular and close interaction can be prevented from degenerating into regulatory capture – principally into cognitive capture – in cases that are conditioned by the national–international structural disjuncture. In other words, what mechanisms can be put in place that grant the regulator not only the authority and clout to push through its demands but also the motivation to do so as it interacts with the regulated? This is one question that could spur further discussion between the literature that denounces the regulator–regulated interaction and literature such as Thiemann's that sees interaction as an important element of regulation.

Matthias Thiemann's *The Growth of Shadow Banking* is a highly insightful contribution that provides a fresh perspective on what led to the spread of shadow banking. While scholars interested in markets and their regulation will find in this book a rigorous study that seamlessly blends sociological debates and approaches with those drawn from political economy, practitioners will most certainly value the meticulous fleshing out of the multi-faceted shadow banking system. Yet there is another more urgent reason why it should concern scholars and practitioners alike. The book ends on a rather ominous note. The structural factors that permitted the shadow banking system to grow largely unfettered are still in place today, a decade on from the crisis. In this respect, the book might not only serve to provide insight into the historical trajectory that led to the crisis. It should also prove useful as a forward-looking appeal for the recognition of the yet unresolved foundational weaknesses in our financial system. Immediate pre-emptive measures may be required in this regard, and those concerned would undoubtedly benefit from the normative recommendations with which the book closes.