long and for seriously trying to develop an alternative, there are some
critical missing pieces that make me reluctant to draw too many conclu-
sions from Burstein’s approach just yet. On the one hand, it is still the case
that the “big” policy questions are the ones that have the biggest impact on
social, economic, and political life, and those tend to be the issues where
public opinion is best measured, interest groups are most engaged, and the
stakes are highest. Further, we will need to learn how to combine an ap-
proach like this with hard-to-measure forms of influence (including meet-
ings behind closed doors) and to incorporate into the model exogenous
factors such as the macroeconomy and ideological momentum among elites
and the masses, before we can be sure that forms of influence unexamined
here may be operating. Finally, we need a broader empirical foundation,
ideally one that is more current as well (I wonder how the same approach
would look in the era of enhanced polarization). One hope on the latter
issue may lie in “big data” approaches, in which comprehensive data on
everyone and everything involved with all legislation may begin to reveal
connections across all policy proposals that we may not see in Burstein’s
data. That study, yet to be written, will, however, surely be informed by
Burstein’s initial efforts in this book.

*The Power of Inaction: Bank Bailouts in Comparison.* By Cornelia Woll.

John Bellamy Foster

*University of Oregon*

The great financial crisis of 2007–9 has given rise to a small industry of
academic studies, some directed at the wider systemic tendencies of capital,
class and crisis, others at narrower regulatory or managerial issues. Cor-
nelia Woll’s *The Power of Inaction* is a work of the latter kind. It is a study
of the state-finance nexus viewed through the lens of paired comparisons
of bank bailouts in six countries: (1) the United States and the United
Kingdom (the Anglo-American model), (2) Germany and France (large,
regulated Eurozone economies), and (3) Denmark and Ireland (smaller
European economies).

As with all astute researchers, Woll, a political scientist, seeks to delimit
her field of inquiry by drawing certain self-imposed boundaries. She is
concerned only with the bank bailouts after the crisis emerged, not with the
crisis itself. All financial institutions and markets other than banks (e.g.,
insurance, real estate, hedge funds, stock markets, currency speculation)
are excluded from the analysis. Many of the more crucial issues with re-
spect to the place of finance capital within the larger political economy—
such as shadow banking, subprime mortgages, financial deregulation, eco-
nomic concentration, capital accumulation, even financialization—are seen as either marginal to her investigation or are omitted altogether. She stipulates that the European sovereign debt crisis is outside her scope of inquiry. Core sociological factors such as class, race, and gender are of no concern because the focus is entirely on the power relations between regulators and bankers, going no further. The question of who footed the bill in the end for the bank bailouts (other than an undifferentiated “public”) is thus notable in its absence.

The most important case excluded from the paired comparisons is Iceland. Woll defends this by emphasizing that Icelandic banks were caught up in currency speculation. Yet, however justifiable this may be analytically, Iceland’s absence from the core of the study leaves a glaring hole, since it is the one country that chose not to rescue its failed banks.

Having thus delimited her field of inquiry as simply one of “crisis management” with respect to banks, Woll turns to her central question: How did the respective power relations of the state and banking institutions in each country affect bank bailouts? Her answer is that the power of the banks was evident not so much in their direct lobbying of government, or in their collective actions vis-à-vis the state, but rather in their collective inaction, that is, their willingness to play a game of chicken with the state. As she writes, “Contrary to popular writings, which focus on the lobbying of the financial sector, this study insists that these activities are not the most telling indicator of financial power. Rather, the structural importance of finance for the function of a nation’s economy enables it to benefit from policies in its favor, even when financial industry representatives have not specifically asked for them” (pp. 169–70).

In those countries in which banks for one reason or another were most effective at collective inaction—particularly the United States and Germany—the private sector scored big. In contrast, in Denmark and France, where the governments were able to rely on collective action by the banks, the public outcome improved. In the British and Irish cases the governments moved proactively, assuming collective inaction by the banks. In Britain this was relatively successful from the standpoint of the public. For Ireland the result was disastrous due to a lack of fiscal capacity.

Hence, different results obtained with respect to the bank bailouts in the countries composing each of her three, paired comparisons. It is the collective inaction of banks, not the basic political-economic settings of various countries, Woll concludes, that is most significant in determining the political-power dimensions of bank bailouts.

Nevertheless, it is doubtful that very much of real sociological significance is to be gained directly from Woll’s study, given the given extreme narrowing down of her field of inquiry, which then is unable to provide a meaningful explanation for the questions posed. For example, the main
differences in outcome with respect to Denmark and Ireland (the two small European economies) can be much more easily attributed to major structural elements that underlie the factors that Woll herself stresses. Denmark, for instance, had rejected the Maastricht Treaty and maintained its own currency. It was thus able to devalue its currency, giving it a full range of fiscal and monetary policy options. It was therefore able to chart its own destiny. In contrast, Ireland had joined the Eurozone and had no currency of its own, making it subject to the major Eurozone economies. This difference was evident not only in Ireland’s bank bailouts (where the government fully guaranteed the debt of the banks) but also in its subsequent entanglement in the Eurozone’s widening sovereign debt crisis.

The degree of financial concentration is another underlying structural factor, downplayed by Woll, affecting whether banks could present a solid front against the state. French banking at the time of the crisis was highly concentrated, dominated by just two commercial banks and four mutual savings banks accounting for 80% of bank lending. Collective action by banks in the French case was therefore relatively easy. German banking was much less concentrated and thus less able to carry out collective action (p. 113). Thus in both the French and German cases, the question of collective action or inaction is fundamentally affected by the structural conditions of the banks—that is, their relative oligopoly.

All of this raises questions of method. Abstraction is especially important in social science, where controlled experiments are generally not possible. But one must be wary of abstracting from what is most essential. The role of capital and class must structure any analysis of financial institutions and the state. To abstract from this primary mediation is fatal: a case of Shakespeare’s Hamlet without the prince of Denmark.


John L. Campbell
Dartmouth College

Economic sociologists have long tried to explain where markets come from. They agree that markets do not spring spontaneously from some pregiven set of incentives through the mere rational pursuit of self-interest. Beyond that, however, there is much debate. Depending on whom you listen to they will tell you that market creation involves social relationships; state action; cooperation; trust; and formal and informal rules and institutions. Insofar as these things are precursors to market formation, some people will also tell you that market creation is a path-dependent process,