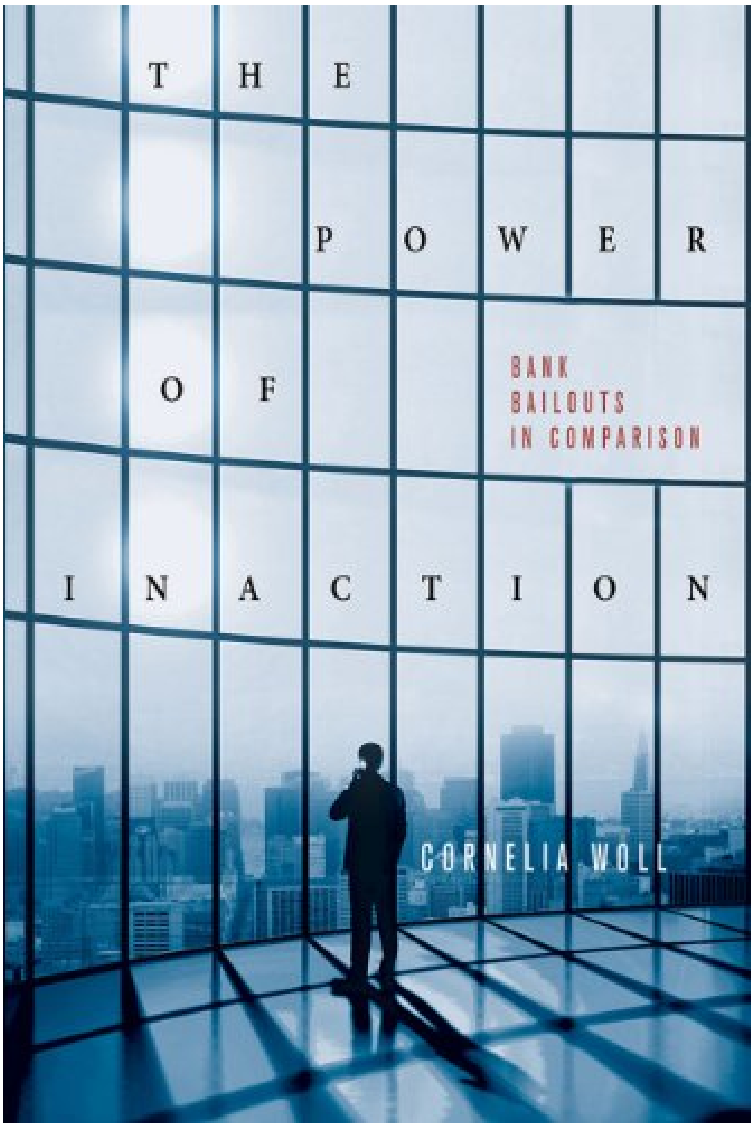
The Power of Inaction: Bank Bailouts in Comparison (Cornell Studies in Political Economy)

Cornelia Woll



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Cornelia Woll : The Power of Inaction: Bank Bailouts in Comparison (Cornell Studies in Political Economy) before purchasing it in order to gage whether or not it would be worth my time, and all praised The Power of Inaction: Bank Bailouts in Comparison (Cornell Studies in Political Economy):

Bank bailouts in the aftermath of the collapse of Lehman Brothers and the onset of the Great Recession brought into sharp relief the power that the global financial sector holds over national politics, and provoked widespread public outrage. In The Power of Inaction, Cornelia Woll details the varying relationships between financial institutions and national governments by comparing national bank rescue schemes in the United States and Europe. Woll starts with a broad overview of bank bailouts in more than twenty countries. Using extensive interviews conducted with bankers, lawmakers, and other key players, she then examines three pairs of countries where similar outcomes might be expected: the United States and United Kingdom, France and Germany, Ireland and Denmark. She finds, however, substantial variation within these pairs. In some cases the financial sector is intimately involved in the design of bailout packages; elsewhere it chooses to remain at armrsquo;s length.Such differences are often ascribed to one of two conditions: either the state is strong and can impose terms, or the state is weak and corrupted by industry lobbying. Woll presents a third option, where the inaction of the financial sector critically shapes the design of bailout packages in favor of the industry. She demonstrates that financial institutions were most powerful in those settings where they could avoid a joint response and force national policymakers to deal with banks on a piecemeal basis. The power to remain collectively inactive, she argues, has had important consequences for bailout arrangements and ultimately affected how the public and private sectors have shared the cost burden of these massive policy decisions.

"The book is meticulously researched and cogently written. It speaks to and substantially develops the literature on the power of the financial industry in public policy, providing novel insights into the different relations between the banking industry and national governments across a variety of countries. The narrative is enriched by material gathered through several semi-structured elite interviews with policy-makers and representatives of the financial industry in a variety of countrieshellip;.one of the greatest achievements of the book is to draw attention to the(so far overlooked) politics of bank bailouts, rather than the economic conditions in which they took place."Lucia Quaglia,Journal of Common Market Studies(vol. 53, no. 5) This book compares bank bailouts across six countries in the wake of the failure of Lehman Brothers in September 2008. Using extensive interviews conducted with bankers, lawmakers, and other key players, the author argues that collective inaction by the financial industry allowed bankers to avoid shouldering more of the bailout, forcing national governments to deal with banks on a piecemeal basis andultimately raising the cost to taxpayers. . . . In all, the book argues persuasively that collective inactivity had important consequences for bailout arrangements and ultimately affected how the public and private sectors shared the cost burden of these massive policy decisions. Summing Up: Recommended. Upper-division undergraduates and above.ndash;ndash;R. Grossman, CHOICE (January 2015)