Overall, Deaton does an impressive job in being at the same time approachable and intellectually stimulating. He manages to explain ideas in simple terms yet to engage with very complex topics, spanning centuries and crossing academic disciplines. *The Great Escape* is as much a book on development and the effectiveness of aid as it is a textbook on basic concepts in economics, demography, and health sciences. The book manages at the same time to keep itself interesting to academics, students, and anyone interested in understanding more about development. Therefore, it is a much recommended read for anyone looking to better understand how poverty and disease have been handled in human history, and how they might be handled today.

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Greta Krippner: *Capitalizing on Crisis: The Political Origins of the Rise of Finance*
Cambridge, MA, 2012: Harvard University Press, 240 pp.

Wolfgang Streeck: *Buying Time: The Delayed Crisis of Democratic Capitalism*
Brooklyn, NY, and London, 2014: Verso, 240 pp.

For at least 40 years, the study of political economy has mainly been a comparative effort. Literature has made important contributions to the study of the complex nexus of economics and social institutions outlining different models of capitalism. After the great crisis of 2008, a renewed interest in capitalism has been observed, and the debate focused more on its common trends than its varieties. Concerning sociology, Greta Krippner's *Capitalizing on Crisis* and Wolfgang Streeck's *Buying Time* are part of this new wave of works that follow the tradition of the great classical political economists, such as Malthus, Marx, and especially Polanyi, in formulating general laws and attempting to understand the crisis as a product of the internal contradictions of capitalism.

Streeck and Krippner give a highly complementary political and historical reading of the last 30 (un)glorious years of capitalism. For both of them, the focal point is on the rise of financialisation, which they explain as an attempt orchestrated by democratic governments to *buy time* in order to avoid ongoing distributional conflicts of society. In a typical Polanyian fashion, both authors view economics as a social phenomenon deeply embedded in a wider historical, political, and societal context. Krippner's *Capitalizing on Crisis*, despite the title, is not an explanation of the crisis of 2008. It attempts to understand the political origins of the rise of financialisation, which she defines as 'the growing importance of financial activities as a source of profits in the economy' (p. 27). Her works on financialisation predate the crisis. Already in 2005, Krippner asked whether 'financialisation' was simply another empty neologism or if it was something *real*; and if the latter, what was the best way to account for it and measure it. That exercise enabled her to survey various explanations of financialisation by economists and sociologists and reveal their shortcomings, especially in the literature about post-industrialism. She argues that by just looking at transformations in the activity sector, specifically employment and labour, one cannot explain how wealth is accumulated—

one has to analyse financialisation as an 'independent' phenomenon. Krippner pursues that effort in her book, and also surveys three main strands of literature that try to account for the rise of financialisation in the economy.

The first strand of works surveyed is the monetary-oriented economic literature about '*speculative manias*' that Krippner associates with the works of Minsk, Kindleberger, and Shiller. Those authors argue that a debt-fuelled business expansion creates a sense of euphoria among investors, leading to inflated asset prices, typically in the stock market. A sudden reversal of that optimism makes the bubble explode. Krippner acknowledges that *speculative mania* theories can explain the development of financial bubbles and their mechanism, but they lack a historical and political perspective, and they do not explain why those episodes are more current today than in the past. The second strand is the economic sociology literature around '*shareholder values*'. Many organisational sociologists have pointed out that, since the 1980s, the single most important criterion used to evaluate a corporation's health is the quantity of returns for their shareholders. That criterion pushed enterprises to care more about finance than market-related gains, in the attempt to maximise shareholder value. This means that corporations are mostly viewed as assets to trade in the stock market. The use of stock options—as well as a series of new financial technologies, such as securitisation—shifted the core of the economy's interest in corporations from markets for commodities and services to financial markets. Krippner argues that those theories focus on internal organisational issues and market-related technological innovation, and that they barely take into account the state action behind those changes by ignoring the political reasons that pushed the changes.

A distinctly political reading of the crisis, the '*Marxist and World-System theories*' are the third corpus of literature evaluated by Krippner. According to these theories, stagnating profit in the real economy made the corporate world look for other lucrative opportunities, and the financial world proved to be much more profitable. Arrighi [2010] argues that capitalist development occurs in two phases: (1) 'material expansion', in which profits are generated by trade and commodity production; and (2) periods of 'financial expansions', where the gains are generated in financial markets to compensate the feeble (or zero) growth. According to Krippner, the main drawback of these theories is vagueness: they tend to not explain exactly how and why that shift from the 'material expansion' to finance occurred, and who the principal agents in the development were.

While Krippner acknowledges the importance of those contributions, she points out the lack of a middle-ground theory, between the micro-organisational sociology of shareholders' value story and the broad generalisations of the Marxist theory. *Capitalizing on Crisis* tries to fill this void by attempting to situate the rising of financialisation strategies in their historical and political contexts. Krippner's book uses a historical sociology methodology; she gathers an impressive quantity of data that is read and analysed through a set of historical case studies referring to United States political history.

For case studies, Krippner decided to use three consecutive policy decisions that are representative of the shift towards finance. Their periodisation will be discussed in detail later. The first case study is the deregulation of the financial market in the 1970s and, in particular, the deregulation of bank interest rates for savings accounts. The second case study is the growing importance of foreign inflows of capital to sustain the internal debt of the United States under the Reagan administration. The last case study looks at the business-friendly monetary policies enacted by the

Federal Reserve under the direction of Paul Volcker since the end of the 1970s and later under the direction of Alan Greenspan.

Krippner's and Streeck's books are deeply Polanyian in the sense that they view politics and economics as inextricably linked, not two different spheres of the social world. This is underlined by Krippner: '… while there has been some speculation as to whether I am a Marxist or a Tocquevillian, I think this theme marks me clearly as a Polanyian. It was Polanyi who observed that the attempt to sever the economy from politics in market society was a singular historical departure' [Krippner 2012: 12]. Additionally, Streeck considers one of the shortcomings of modern economic sociology: 'If you look at the practice of economic sociology, particularly in United States … there is a conspicuous absence of politics in it.' (Streeck, interviewed by Palestini [2011]). *Buying Time* is, from this point of view, the hallmark of his career in studying the relationships between politics and economics.

The main theory proposed by Krippner is that 'the creation of a macro-economic environment conductive to financialization was not a deliberate outcome sought by policymakers; rather, it was an unplanned results of policymakers' attempts to respond to a unique constellation of difficulties that confronted the state beginning in the late 1960s and 1970s' (p. 58). Streeck's sociological analysis in *Buying Time* builds on the same theoretical ground as the one defined by Krippner, as he recognises in the introduction by citing Krippner's main theory and paraphrasing it: 'money … served to defuse potentially destabilizing social conflicts' (p. 14). Both books broadly share the same ground of analysis, the same theoretical perspective, and the same historical periodisation. This article will review them together, and try to underline the complementarity of their analysis.

According to Krippner and Streeck, in the 1960s the state had to manage the economy after *Les Trentes Glorieuses* (1945 to 1975), when governments had a difficult time in facing the rising demands of workers. The first expedient that the governments enacted to pacify the economy was the rise of inflation. Inflation in the 1970s appeared to be a symptom of the transition from a period of easy abundance to an era of slow productivity growth. According to Streeck, politicians tried to keep up the expectations and granted social peace 'by the means of inflation'. He explains that governments, thanks to inflation, were capable of 'introducing not yet existing resources into the capitalist distributional conflicts, [they] were able to draw on the magic of modern "fiat" money, the amount of which, politics commanding public power, may increase *ad libitum*' (p. 33). Krippner quotes Albert Hirschman on the issue: 'inflation is the standard historical response for societies forced to reduce their economic aspirations', and she adds: 'by eroding purchasing power and the value of accumulated assets, inflation lowers living standards among social groups in society without requiring any explicit agreement that is appropriate to do so' [Krippner 2012: 64]. Inflation was used to depoliticise the issue by shifting the social redistribution problem to the economic policy field; the population perceived the latter as less controversial, more *scientific* and neutral.

While inflation was useful to pacify the social conflict, it came with the cost of slowing overall economic growth. The control of inflation came to be then seen as a priority. Krippner devotes an entire chapter to the making of US monetary policy, and in particular focuses her attention on the '*Volcker shock*'. Paul Volcker, since the end of the 1970s, started a tight monetary policy with the aim of reducing inflation by controlling the quantity of money. Another process that greatly impacted the rise of finance was globalisation, which, since the 1970s, started to become more evident in practice with deregulation at an international level. In an era of free international flows of money, stability was a necessity; the control of inflation had the favourable externality of creating a stable frame for financial investments. This was the beginning of the second phase described by both books: the age of public debt.

Like inflation, high public debt helped to secure social cohesion and avoid class conflict; but the actors of the system changed. Streeck argues that the state turned to borrowers to provide what was earlier provided by the printing presses of the central bank: 'it is not the government printing shop, but the private credit system that fills the hole, by supplying in advance the tax revenue that will have to be raised, or not raised, in a future date' (p. 36). In the meantime, the reliance of many governments on credit, as well as the monetary stability obtained with strict inflation control, facilitated the development of the financial industry. According to Krippner, the Reagan administration discovered a world of a potentially 'limitless supply' of credit thanks to globalisation, and became addicted to foreign credit. Everywhere, American debt was seen as a solid asset, and thus very much appreciated; that permitted the Americans to have a large body of international lenders who were always willing to lend money. The strict monetary policy of Volker (set by the Fed to contrast inflation) meant—in practice—a high interest return rate for the American external debt bonds. American debt became a lucrative investment for savings all over the world; and while the Reagan administration is remembered in popular history as particularly financially hawkish, it was the period when US debt was raised most consistently: the unregulated inflow of foreign money financed Reagan's tax cuts and his military spending.

With particular attention to the rise of what he calls the 'debt state', Streeck analyses the state that financed itself through public debt instead of taxation. Streeck wants to challenge all the theories that explained the rise of indebtedness as a result of an overload of democratic demands. He argues that the *tragedy of the commons* story—where voters demanded too much from the state, augmenting its financial burdens and thus pressuring it toward bankruptcy—does not work to explain the rising rate of public indebtedness. He argues that instead the raising of public leverage was due to several reductions to what he calls (using Schumpeterian terminology) 'the tax state', where the state financed itself through general taxation. Streeck also shows how it was mostly the upper classes, by reclaiming larger and larger tax breaks, which pushed various countries to finance themselves through debt. This created the paradoxical situation where state expenditure was reduced in order to contain debt, while public debt was rising in order to permit the state to operate normally (p. 63); and that was not because the state was overloaded with democratic requests: 'Not *high spending* but *low receipts* are the cause of government debt.' (p. 66) That created a condition that fostered the rise of inequalities, where the richer became richer thanks to tax breaks, while those relying on welfare became poorer, with the taxation system becoming more and more regressive. Yet besides augmenting the quantity of public debt, the 'starving the beast' strategy also had another important consequence: the creation of a '*stratum*' of very wealthy people that served as a borrower of the state.

While introducing the distinction between the *tax state* and the *debt state*, Streeck also introduced a typology of the *constituency* of those two forms of state: the Staatvolk (the general citizenry) of the tax state and the new Marktvolk (the people of the market) of the new debt state. Streeck adds sociological depth to this analysis of the debt state, because he points out that it is not just a question of where and how the state financed itself, but it is also a political transformation. In the tax state, those who control governments and pay for it through taxation are the voters, while in the debt state, the government is controlled by the creditors.

The transformation is radical. If the Staatvolk is linked to the idea of a national state, the Marktvolk are mostly international figures, such large funds that specialised in the government bond market. The Staatvolk can decide on the sort of government through elections; the Marktvolk exercise a constant control of the activity of a state. Their power is to allow or disallow debt re-financing, and they exercise this power at every auction of public debt, which is much more often than democratic elections. While the Marktvolk have no direct control of the democratic life of a nation, they have continuous influence on the decisions of the politicians. The Marktvolk need to be consistently reassured that the state will be able to pay the interests on their bonds and that the bonds themselves will not depreciate too much. In order to do so, the state must constantly signal their financial soundness by '[making] visible efforts to show that they are always ready to fulfill their civil law contractual obligations'. (p. 87) Streeck adds: 'In time of crisis, confidence building of this kind is most successful with resolute austerity measures against the national population.' (p. 87)

The third step of periodisation proposed in the books of Krippner and Streeck is about fiscal consolidation. After inflation and the age of public debt, many measures to fix and limit the rise of public debt were adopted, with the effect of increasing private debt. With the rise of public indebtedness, since the early 1980s, a widespread programme of fiscal consolidations tried to contain and reduce its size. In the 1990s, further financial deregulation made credit access easier for borrowers, and financial engineering and securitisation made it safer for lenders. As a consequence of the fiscal consolidation of governments, the burden of debt started to shift from the public to private: it was up to the private sector to finance what the state used to finance with deficit spending, as a sort of 'privatized Keynesianism' [Crouch 2009]. According to Streeck, the third step of this history is the crisis, provoked by the over-accumulation of private debt. According to Krippner, the simultaneous actions of the high interest rates of the post-Volcker shock and the deregulation of interest level contributed to 'diverting inflationary pressures into financial markets where they fuelled asset price bubbles, contributing to a debt-financed consumption boom in the U.S. economy' (p. 142). Even if, for a decade, the system worked on raising the leveraging of household budgets, this was not sustainable in the long run and provoked a financial crash that involved lending institutions, mainly banks, and the financial industry in general. Private debt was the first stage of a complex financial industry, structured like an inverse pyramid. The debt of consumers was then resold to others in a complex financial product. When the bubble exploded, governments had to bail out a large part of the banking sector. According to Streeck, during the crisis, a rise in public indebtedness can again be observed: the banking bailout and the recession forced governments to borrow a lot to compensate for the loss of the banking sector. The consequent and sudden rise of public debt and a chronic lack of growth started another round of the national fiscal crisis, particularly in Europe and South America, which still endures today.

Only in Streeck's book do we find a fourth part focused on the European context. That part of the book is the most normative and politically connoted towards the political preferences of the author. According to Streeck, the European Union project was the main driver of liberalisation in Europe. Streeck shows how Friedrich von Hayek's 'The Economic Condition of Interstate Federalism' [Hayek 1948] 'reads like a blueprint for today's European Union' (p. 101). Hayek argued for a technocratic federation of states with open borders and markets; but without real political integration, which would have been inefficient for governing countries that are so different. It also posed the risk of interfering with individuals' freedom, so that the hypothetical European government had to be restricted in power and scope. Streeck views European integration as something very close to the original Hayekian plan, because it is 'limited to an essential liberal programme' of negative integration, 'in which cross-border markets and market freedoms increasingly overlays and suspended the legal systems, political power structures and democratic process of the national states' (p. 105). What Streeck calls the 'consolidation state' assumes a particular flavour in Europe. The technocratic Marktvolk that control the democratic procedure of the member states are embedded in the federal institution and treaties, depriving countries of real democratic control: the European institutions and the end of monetary sovereignty constrained the countries to be managed as households. Monetary and budget imbalances also spurred the conflict between Nordic countries and southern countries, which have very different styles in the management of the *res publica*. The last short chapter of Streeck's *Buying Time*, which has the title 'Looking Ahead', is worth mentioning too, because he muses about what could happen from the present situation, and his idea is to save Europe from the euro, because a monetary union without any positive and constructive integration can deepen divisions.

A limitation of Krippner's work is that she used only case studies and data from the United States. Isaac Martin [2012] and Frank Dobbin [2012] point outs that many countries saw the rise of financialisation at the same time as the United States, so a political explanation using only American events and names would have missed some common and international trends, because the rise of financialisation was happening at the same time and in similar ways in many parts of the Western world. The book by Streeck is the perfect complement. *Buying Time* shares the same concern and periodisation of Krippner's book, and he describes the same events yet adds a much needed international and comparative outlook and, more importantly, adds theoretical and sociological depth to the phenomenon of financialisation. Krippner's work is firmly grounded in the historical sociology of the United States and presumes some familiarity with the country's history (and with some financial jargon); while Streeck's work, though empirically ambiguous in certain passages, is very clear and accessible to the non-specialised reader.

While Krippner is perhaps more scientifically accurate, Streeck's *Buying Time* is also a political *j'accuse*. Streeck's is an angry book. It came after a long career that was mostly dedicated to the study of labour and trade unions. To Streeck, the crisis of 2008 represented a shift on many levels; after a life spent working on labour policy and trade unions, he saw the growing importance played by finance. During his long career, Streeck had also been, at the end of the 1990s, an advisor to the 'Bündnis für Arbeit' for the German SPD government led by Gerhard Schröder. During that consultancy, he campaigned for social security reforms and tax cuts on labour costs, with the intention of creating a more flexible and competitive work market particularly for the low-paying service sector [Streeck and Heinze 1999]. This could seem puzzling, as those policy interventions are particularly criticised in *Buying Time.* In an article recently published in the journal *Stato e Mercato*, Streeck talks about how the crisis of 2008 was a turning point for him for several reasons:

'Later, in the 1990s, the Clinton boom suggested to some the possibility of renewed social-democratic prosperity, to be achieved by market-accommodating "modernization" of social and economic institutions, including labor markets in particular, to make them fit for the challenges of "globalization"—a message that was powerfully transmitted to Europe by "New Labour" and its "Third Way" (Giddens 1999). For some of us, *certainly for me* [emphasis added], it took the "Great Recession" of 2008 to bring this "comedy of errors", with its continuously falling level of political aspiration, to an end.' [Streeck 2014: 46]

Buying Time, besides being a great synthesis of the last 30 years of capitalism, is a requiem for the dream of the 1990s and the following decade of a new left and a '*third way*'. Both Krippner's and Streeck's books try to point out how politics wanted to depoliticise economic questions, leaving them to the free market: in a Polanyian way, they show how the free market is built and enforced over time. Following the Polanyian script, civil society's reaction to the action of the free uncontrolled market was recently observed with the Occupy Wall Street movement and the protests all over Europe. One can only imagine what the next 30 years of capitalism will look like, since the unresolved distributional conflicts described by both books are not going anywhere. Those two books insightfully demonstrate the limits of the politics of depoliticisation.

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Thomas Piketty: *Capital in the Twenty-First Century*

Cambridge, MA, and London, 2014: Belknap Press of Harvard University Press, 696 pp.

Thomas Piketty's bestseller *Capital in the Twenty-First Century* is one of the most discussed books in economics for decades and not without reason. Piketty ruthlessly spells out the destabilising effects of the evolution of economic inequality for society, based on a thorough empirical examination. Combined with his reflections on political measures to counter rising inequality, this makes the book an interesting read. Piketty contributed the message to front pages all over the world that inequality matters (again). Apart from the topic, his approach represents a considerable deviation from conventional economic analysis. Piketty's learning from the past to better understand the specific mechanism of economic inequality is especially refreshing, since most conventional economics seem to