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The Power of Inaction or Elite Failure? A Comment on Woll's "The Power of Inaction"

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Abstract: This Review article discusses the book by Cornelia Woll, titled "The power of Inaction".

Keywords: financial stability, bail-outs, state-finance nexus

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Cornelia Woll's comparative study on bail-out schemes for banks in the wake of the financial crisis of 2008 in five Western European countries and the US provides important comparative results on the factors that influence the burden sharing between governments (and hence tax payers) and the banking industry itself. Her main finding across the six cases is that coordinated involvement of banks reduces costs for the public, not only because of direct burden sharing, but also because the stigmatization of individual banks during the crisis can be avoided, preventing the self-fulfilling prophecy of bank runs. She produces these results through a paired comparison, employing a most similar case study design based on categories developed in the comparative political economy literature (that is liberal economies, coordinated economies and small, open economies).

Seeking to gauge the power of the financial industry from these bail-out agreements and hence their agency in their design, the author opposes simplistic theories of industry power based on lobbying, influence peddling and capture capability. Instead, she seeks to understand the structural dependence of the two actors opposing each other (governments and banks), the institutional pre-conditions of industry power (e. g. the venues for collective action), as well

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as the influence/cognitive/cultural power that banks wield in shaping the shared understanding of the role of finance in the economy and the way it should be governed, i. e., the so-called “productive power” of finance (Barnett & Duval, 2005). Lastly, the author points to the capacity of the financial industry to remain collectively inactive in the face of government demands to contribute to the crisis resolution, which she identifies as an exercise of power which has largely gone unnoticed.

Essentially, she postulates that government and the financial industry engage in a game of chicken, in which the one, who gives in first, loses. Given the structural dependence of states on finance, it is in the last instance the government who has to intervene, however, as Woll shows, this by no means implies that government always has to lose this game. It is this conceptualization of bail-outs as games of chicken by the author which implies conscious non-decisions which is epistemologically the most difficult to prove, as it raises two questions; first the question of agency on the level of a collective Second, conscious inaction on the level of the collective needs to be distinguished from mere failure to coordinate action (the author herself admits that distinguishing unwillingness from incapacity to act is difficult, as in the case of Ireland, s. below). Before her claim of collective inaction as the exercise of power will be submitted to critical scrutiny at the end of this article I would first like to reconstruct the argument as it can be derived from her empirics and as the author herself develops it in the concluding chapter. As I will try to show, her empirical analysis contributes to a much more fine grained understanding of collective action of elites and its problems than the theory initially outlined suggests.

1 The empirical analysis and the lessons to be drawn from it

Her empirical work starts with an outline of the costs of bail-outs for governments, pointing to the variation in government support, then to point out the differences in the costs of government support and the conditionalities attached. With respect to the conditionalities attached, Woll rightly points out that the important empirical question is the actual enforcement of these conditionalities. According to existing reports, this enforcement does actually vary in practice (Barnett & Duval, 2005, p.40). However, while this point is mentioned, enforcement of conditionalities is not investigated in the book. Furthermore, it should be noted that the active contribution of the banking industries in the different

countries is not directly calculated, but rather proxied by the conditionalities of the bail-out packages.¹ Her analysis shows that the costs of government support for banks were particularly high in the UK and particularly low in the US, with France, Germany, Denmark and Ireland lying in between. The most important tables for her argument (Barnett & Duval, 2005, p.41, 43) show the involvement of bank industry in the funding and administration of bail-outs, which varies between public-private schemes in France and Denmark on the one hand and purely public schemes in the other four cases. The involvement in these funds is the crucial variable in the analysis.

1.1 US/UK comparison

In her analysis, she then proceeds to the pair UK/US in which she compares the unfolding of the design of the rescue measures. As she notes at the beginning of the chapter, the case contains the least information on her question as no industry participation in the administration and funding of the bail-out schemes can be detected, nevertheless due to size and importance of these two cases they are included. Her analysis points to harsher bail-out conditions imposed upon banks in the UK than in the US, in line with an overall more favorable treatment of banks in the US (for a different reading of these two bail-out schemes, s. Culpepper & Reinke, 2014).

In the US, her analysis reveals that the banks concerned in the crisis fell outside of the purview of the routine resolution strategies of the FDIC, thereby posing a legal vacuum as to who was to intervene in which way. This void posed a legitimacy problem for the Treasury and the Fed, which nevertheless had to intervene in order to stabilize markets. While they engaged in the rescue of Bear Stearns in spring 2008, legitimacy concerns as well as a lack of resources explain the reluctant stance of the Fed and the Treasury in bailing out Lehman (Culpepper & Reinke, 2014, p.88).

This legitimacy deficit and the problem of how to shut down a bank if you do not have the authority to resolve it go a long way in explaining the stance of these two institutions with respect to the Lehmann case, urging the industry to come up with a solution. However, as the crisis was already well advanced, most large commercial and investment banks in the US were already suffering, providing little room for manoeuvre in order to jointly take-over Lehman Brothers. Nevertheless, an industry proposal emerged involving the two institutions capable of doing so, JP Morgan and Wells Fargo. But due to uncertainty regarding the portfolio of Lehman, the

¹ This excludes private contributions, such as the take-over of bankrupt banks by healthy banks, as has happened during the crisis (e.g. in the US, s. below).

consortium requested guarantees which the public was not willing to give. Note that it is difficult to gauge in how far the postulated game of chicken is playing out in this moment. Nevertheless, there has been a proposal of the industry to contribute, independent of whether it can be deemed sufficient or not. Later cases of the “shot-gun marriages” of Merrill Lynch and Morgan Stanley with large commercial banks show that the underlying risks were substantial, thus suggesting that the offer of the consortium might have already involved quite substantial risk sharing with the government.

More interesting than these negotiations during the midst of the crisis are earlier attempts of industry to engage in private sector bail-out measures. Here, an initiative in 2007 aiming at stabilizing the liquidity situation of large banks is of great interest. It failed to materialize as the problems were predominantly situated at one large bank (Citibank), seemingly inhibiting industry solidarity. This observation is coupled with the fact that industry government relations were primarily facilitated through direct encounters between the Treasury Secretary, the Federal Reserve Chairman and the CEOs of large banks, rather than through industry associations. Here one might point out that commercial banks and investment banks hardly were members of the same associations, pointing to structural fragmentation and problems of coordination between these entities, possibly preventing a common identity as the foundation of solidarity.

In the British case, fragmentation of the industry into international financial conglomerates untouched by the crisis (HSBC, Barclays, Standard and Chartered) and those deeply implicated in it (Lloyds, RBS, HBOS) (s. Slager, 2004) led to a complete refusal of the industry to engage. This led to, as Woll remarks, a complete loss of power of the British Bankers Association, incapable of coordinating a common industry response. Instead, the government chose to collaborate with the healthy banks in order to set up a nationalization scheme intended to rescue the banks under harsh terms. As markets had already singled out these institutions as particularly weak, their capacity to refuse these terms was particularly limited.

From the comparison of these two cases, the impact of intra-national industry fragmentation (UK) or cross-national industry fragmentation (US) and the attending failure of formulating common positions by the industry can be clearly seen. In the case of the UK, this fragmentation and the lack of solidarity can be contrasted with the post-war governance arrangements installed by the Bank of England, which operated like a gentleman’s club, where those banks under the supervision of the Bank of England agreed to a certain conduct in financial manners, for which they received in return the assistance of member banks and the Bank of England in times of crisis (Moran, 1991). This arrangement fell apart with the increasing competition of “fringe banks” and foreign banks in the UK

since the late 1970s, undermining the incentives for adherence to the inner circle of core banks and the concomitant solidarity (Moran, 1991). While Woll references the period of tranquility and the regulatory style of the Bank of England in that time (wink and nod), she does not compare the solidarity of British banks pre-1980 with her case.

A second issue that emerges from her analysis, but is not completely spelled out is the question of the personnel administering these rescue measures. On the one hand former industry personnel (with not only treasury secretary Paulson as a former CEO of Goldman Sachs, but also treasury official Kashkari, who as a former Goldman Sachs employee administers the funds of TARP distributed to the banks), which suggests rather sympathy from their side with the suffering banks, including the former employer Goldman Sachs. In contrast, as she reports regarding Mervyn King, the Governor of the Bank of England at that time, his attitude was characterized by a particular focus on the moral hazard that can be caused by bailing out banks without imposing strict penalties and hence the need to impose punitive conditions on those banks in trouble. Relating her analysis of views in economic theory on bank-bail outs that oppose moral hazard and systemic risk to the personnel setting up these measures seems to be a logical step that, while alluded to, is not completely spelt out in her analysis of events.² These factors of revolving doors in the US vs. a rather independent administration in the UK seem to be important factors in the evolution of bail-out plans, albeit difficult to prove.

Lastly, there might be an additional structural explanation of the different stance of the governmental agencies in these two liberal countries. While the author points to rather similar fiscal spare capacities, an analysis which places these two countries in their international context points to a rather different conclusion. Whereas the US holds the world reserve currency and hence has a much larger capacity for deficit spending (Seabrooke, 2001; Gowan, 1999), the UK does no longer benefit from that reserve status (Arrighi, 1994). In the moment of crisis, authorities in the UK seem to have realized that the size of their banking sector with respect to their domestic economy posed a real threat to fiscal viability of the state, a realization suggested by Mervyn King's famous statement that "banks are global in life, but national in their death." The decisive intervention by the Treasury and the Bank of England then belied what would be expected from a (neo-)liberal market regime (Woll, 2014, p.106, for a general analysis of these trends, s. Biondi, 2014).

² Woll notes the close ties between Paulson and industry, but then describes these connections as secondary to her analysis (Woll, 2014, p.99).

1.2 Comparison of Germany and France

She then proceeds to the paired comparison of Germany vs. France, which as she states both have a long history of state involvement in the banking sector and are both often characterized as coordinated market economies, allowing them to be compared. However, as becomes clear in the comparison, the national involvement in the banking system is substantially different, with French authorities repeatedly nationalizing and re-privatizing private banks, whereas in the German case, no nationalization occurred since 1949. This difference led to a connection of private and public elites in France where former state employees, mostly Treasury officials gained well paid positions in the banking sector, whereas German elites are rather distant from financial elites. It is in this comparison that the benefits of collective action by the banking industry and the collaboration with government for the costs for the tax payer, but potentially also the banks themselves comes to the fore.

In the case of France, a homogenous banking sector consisting of only six large banking conglomerates quickly joins forces with the government to design a bail-out plan, in which not only the industry takes an important stake in the rescue fund, but also administers and supervises the assignment of funds. Common action allowed the banks to avoid stigmatization and keep at least one bank which was near insolvency from bankruptcy (while not being directly named, recent literature on the fate of French banks during the crisis suggests Natixis, e.g. Pechberty, 2010). In this case, collective action by the banking industry was not only beneficial for the government and hence the tax-payer, but it was also beneficial for the banking industry. If one of the six large banking conglomerates were to have fallen into bankruptcy, the consequences for the other five would have surely been substantial.

In Germany, on the other hand, government officials were faced with a fragmented banking industry, which due to its organization in three pillars (savings banks, cooperative banks and commercial banks, s. Butzbach & Mettenheim, 2015) faced substantial disagreement over who was to bear the costs of the bail-out. One large pillar, the savings banks refused to share any burden in what they perceived the reckless gambling of the other banks. One might note here the hypocrisy of that stance, as the Landesbanken, which are linked to the savings banks were hit in a major way by the crisis. The second pillar, the cooperative sector was not affected by the crisis, leaving it to the private banking sector to come up with a collective action plan. Here, the position of the leading German bank, Deutsche Bank which managed to escape the first round of losses in the crisis was determining the overall fate of the bail-out design. As the largest player

was not in direct need of recapitalization (Spiegel-online, 2008), it refused to contribute to the funding scheme. This impeded collective action by the banks and an initially reluctant German government had to undertake recapitalization of the banks on its own. In this respect, the quotes by finance minister Steinbrück are very revealing, as decisions to bail-out banks were not only driven by fears of systemic risk, but also by concerns over the reputation of Germany as a financial place (Woll, 2014, p.75).

1.3 Comparison between Ireland and Denmark

The last comparison regards Ireland and Denmark, two small open economies with a financial sector which grew at a rapid pace before the crisis, which due to materializing problems in the respective housing markets were facing large problems. In Ireland, a government that seems to have been uninformed about the scale of problems faced a banking sector which initially was not willing to come up with a collective action plan. Here again, the notion of a fragmented banking sector proves important, as the first and largest problem bank, Anglo-Irish Bank was perceived as an outsider in the Irish banking system and thus not included in any solidarity considerations by the other banks. Uninformed about the true scale of problems there, the government made the unilateral decision to guarantee the creditors and bondholders (!) of Irish banks, thereby hoping to calm markets. This lack in expertise and awareness about the problems of the banking industry seems to suggest an additional variable not explicitly considered by Woll, which is the distribution of knowledge between government actors and the banking industry. This asymmetry makes the collective action of banks even more important, allowing avoiding misleading actions by individual banks, such as shown for the Anglo-Irish Bank.

In contrast to the Irish case, the Danish case is characterized by early cooperation between the banking industry as a whole and the government, which is a path-dependent outcome of the rejection of the European Union of the public guarantee fund for banks, which was categorized as state aid, which led to a private initiative in 2007. While insufficient to cover the losses of banks, this organizational vehicle would become the backbone of the public-private rescue scheme, ensuring industry contributions but also industry participation in the enactment of the bail-out. The author explains this cooperation by recourse to the characterization of the Danish society as a “negotiated economy” in which public and private networks are deeply intertwined, seeking negotiated solutions (Woll, 2014, p.161, citing Pedersen 2006).

2 The theoretical frame: Review and possible amendments

How could the differential involvement of banks in these bail-out schemes be explained? Reviewing her different case studies, the author develops a framework of facilitating and determining conditions that is explicitly based on collective action theory. She focuses on the homogeneity of the banking sector in terms of business models and institutional set-up (e. g. public vs. private), the number of participating institutions as well as the formal and informal institutional arrangements that exist for coordination *ex ante* both between banks (such as between different banking associations) as well as between governments and banks as facilitating conditions. One determining factor in these dynamics she identifies is the health of the leading institution which determines if that institution will organize collective participation or will walk away from the negotiation table with the government. Here we find a first specification of her collective inaction argument, which links the collective decision to inaction (as portrayed in Chapter 3) to the decision by the leading bank, which hence becomes the focal actor playing the game of chicken with the government. This is not to say that the other actors and the institutional context do not matter for collective action, but the participation of the largest bank seems to be a necessary condition for collective action. Woll writes “As in all collective collective action issues, if the most important players have no interest in participating and/or can shift their activities elsewhere, the joint enterprise will fall apart. Inversely, if the most important players have to manage their own difficulties, they might be interested in pursuing or even organizing a joint rescue effort.” (Woll, 2014, p.171)

For this claim, her paired case studies do provide some evidence. It seems clearest for the case of Germany, the US and the UK, in which the leading institutions (Deutsche Bank, JP Morgan, HSBC, Standards Chartered and Barclays) were not as affected as the smaller private banks in Germany, the three private banks rescued by the British government or the investment banks in the US case, leading to hesitancy with respect to industry engagement. Also, the case of Denmark points in a similar direction. As the largest bank is affected, there is industry participation. Especially in the case of Germany, she can show how the government initially sought to incentivize industry participation through a strategy of reluctant engagement, hoping to thus elicit private action. At the same time, and while claiming that collective industry action is common in Germany, she also portrays the fragmentation of the German sector into its three different pillars, with Savings and

Loans banks refusing any support for the private banking pillar. This co-existence of causes means that it is difficult to decide whether the health of the leading bank is the determining factor and whether we are indeed witnessing a game of chicken between the government and the banking industry. The biggest problem here is the epistemological problem of proving that collective inaction is a willful act, which in her ultimate analysis falls on the leading bank. Woll acknowledges this when she discusses the, as she writes “*Although harder to grasp, inactive power is the mirror image of active power*” (Woll, 2014, p.58, emphasis mine).³

Moreover, the case of France, which is possibly the most interesting in the sample, casts a certain doubt on this ranking of causes. In France, where a homogenous sector dominated by six major banks with close ties among each other and with the government jointly negotiated a bail-out deal that avoided stigmatization of weak banks and involved banks directly in the mutual supervision of bail-out schemes. In this example of government-industry collaboration, however, the leading bank, BNP Paribas was less affected by the crisis than its peers, in particular compared to other smaller banks, especially Natixis. The involvement of the largest bank which was rather healthy sits uneasy with the proposed framework. Instead of walking away, BNP Paribas supports the scheme and is actively involved in its design. If its own financial health was the primary factor in its decision making, it might have just as well walked away. This fact points to the possibility, that interests of the largest institution might simply not be sufficient as an explanatory factor. The strong inter-bank cooperation as well as the long-standing cooperation with the government might be more important factors determining the action of BNP Paribas following a logic of appropriate action. The fact that in Paris, in contrast to London, foreign banks were much less present might have facilitated such persistence of club like governance arrangements.⁴

A second theoretical possibility is to expand the time frame for the games played between government and banks and including the question in how far banks need governments, that is the structural power of governments over banks might be an interesting solution. In repeated games, banks might stand to benefit from prior cooperation with governments, as was the case for BNP Paribas. The financial support of the French government proved essential in the acquisition of the Belgian banking conglomerate Fortis in 2010 (Jabko & Massoc, 2012 characterize this as the gift-giving aspect of the French network),

³ On the problem of differentiating defection by intent from defection by accident in a game theoretical framework, see e.g. Etienne (2013, p.33).

⁴ I would like to thank Yuri Biondi for this suggestion.

cementing the status of BNP Paribas as a European, rather than merely a French bank.

A second step might be to move away from an emphasis on game-theoretical framing and to open up the research agenda for more sociologically inclined studies, focusing on the social norms linking intra-national and inter-national elite networks and how these might be upheld in different fora of interaction. Woll herself points in that direction, using Ostrom's work on the provision of public goods (Woll, 2014, p.59), but does not expand on these insights in her analysis. Pursuing that agenda, by investigating directly different fora of interaction between governments and finance would allow us to better understand the network foundations of elite failures that have been described as "debacles nourished by hubris" (Engelen et al., 2011, p.9), as well as the conditions for elite coordination.

Moving away from the game theoretical framework of the game of chicken would have the advantage of opening up a venue for further theoretical thinking about elite coordination vs. elite failure rather than the corporate exercise of power by banks. This would allow the removal of the questionable equation of bank participation in the government bailouts and their collective exercise of power,⁵ which stands in contradiction to the author's own sophisticated theoretical reasoning about power. Woll rightly criticizes the tautological approach to power, which infers power from outcome (Woll, 2014, p.54). However, she cannot but fall into the same trap when she is seeking to gauge power from industry contribution to bail-outs. Instead, it might be worthwhile to focus on the conditions that permit joint collective action by these two elite networks, establishing a different kind of power; the power to deal with emergencies and crises. While we do not have counterfactuals, her cases allow one to speculate that elite coordination, such as in the case of France and Denmark allow the reduction of costs of bank-bail-outs to society as a whole, be they borne out by the industry or the tax-payer. By preventing stigmatization of individual banks (also achieved in the case of the US), the overall dynamics of banking crises are changed so that their depth is supposedly lower.

3 Conclusion and outlook

This is a well-researched book that provides important comparative results on the design and execution of bail-out schemes. Particularly impressive is the combination of secondary sources and interviews, which is capable to provide a lively

⁵ Furthermore, this claim is not completely borne out by all the cases. After all, the Irish banks exercised little power when they were not participating in the rescue scheme. Instead, their capacity to do so was rather swept away by the crisis.

picture of the events unfolding. Furthermore, by applying a qualitative method to the problem of bank-bail-outs, the author can add a better understanding to these events. Quantitative method, as Woll points out are limited in this respect, as the true costs of bailout are hard to estimate, made even more difficult by the fact that the production of these numbers is a political act itself. The theoretical framework with its emphasis on the structural and productive power of finance is an important addition to the focus on cognitive and regulatory capture in the political science literature. As the author well shows, close contact between financial elites and regulators is the rule, but does not explain the prevalence of cognitive or regulatory capture.

Her results actually indicate that at least in the times of crisis, having close contacts with the financial elite can be tremendously advantageous to governments (shown positively in the case of France and negatively in the case of Ireland). As Woll emphasizes, the rescue plan by the Irish government was based on “rather incomplete information” (Woll, 2014, p.154), further cemented by the lack of interaction between the different large players in the Irish banking sector. On the other hand, the close contact between governments and banks in France in conjunction with the administration of funds through the banks themselves solved this problem of information asymmetry (Woll, 2014, p.122). Focusing more on these network structures and how they might facilitate collective action of both banks and governments is an important contribution of the book. A clear take-away lesson for governments then is to seek to foster collective decision making procedures by banks before the crisis, establishing a collective actor before the next crisis comes. Current developments, however, point to growing fragmentation of banking sectors due to diverging business models and different scales of engagement, and different degree of exposure to the path-breaking transnational and global dimension of banking and finance that define the identity of banks. For example, Deutsche Bank is a global bank, with a primary seat in Germany, whereas Commerzbank, the second largest private bank in Germany is a bank with a primary business focus on Germany. This raises the question whether financial sector solidarity, based on a club like network is possibly an achievement of the past which can no longer be achieved in the current juncture of globalization (for a related point regarding the general organization of collective action by capital in Germany, s. Streeck 2010, for the US, s. Mizruchi, 2013).

In addition to these insights, the comparative results of her study show once more that the categories of bank vs market based economies as well as the distinctions of coordinated, open market and liberal economies according to the Varieties of Capitalism are not predictive for the coordination between banks and governments and the size and form of bail-out schemes. This result is in line

with recent research in the political science community (Hardie et al. 2013a, 2013b) adding further momentum to the contention in the political science community that these distinctions are not applicable to finance. In contrast, the categories of “networked economies” on the one hand and “statist” or “state-led” economies (Schmidt, 2003) seem to be more promising. These categories would lend themselves to a more in-depth investigation of state capacities, in particular the weakness or strength of personnel employed, as well as the question of legal prerogatives of states.⁶

These legal prerogatives are an aspect, while not touched upon, are not in depth analyzed in the book. However, they are important for the range of actions governments can engage in. In an illuminating paragraph in the book, the UK Chancellor of the Exchequer, Alistair Darling points out that his government had much more liberty in dealing with its banks than the US administration (Woll, 2014, p.109). Its legal prerogatives provided the government with the capacity to act much quicker and more decisively than the US. A comparison of this dimension for all cases might bring more clarity regarding the negotiation situation between banks and government, particularly important here is the legal framework to nationalize banks.

Beyond the interaction of banks and governments during the crisis, there are a number of questions remaining that regard pre-crisis developments, which shaped the capacity of governments to act. One of the most pressing ones is why rescue funds that were collectively funded by banks for the case of banking crisis pre-crisis were so small? Was it a perception of the muted probability and limited severity of crises? And why were resolution regimes for large banks not envisioned in most countries before the crisis? International competitiveness concerns (e.g. Moran, 2002; Thiemann, 2014) as well as the productive power of finance shaping the perception of the industry seem to be important variables to answer these questions. In the book, the dimension of productive power of finance is deduced from the stringency of regulatory regimes, which for the purpose at hand is sufficient. However, next analytical steps will require an

⁶ Legal prerogatives of the state define in how far the state can intervene in private business matters (e.g. in the case of nationalizations) and in how far and in front of whom he has to justify this position. In some jurisdictions, these prerogatives favor the position of the state with respect to private banks more than in others. E.g. in France administrative decisions are treated in administrative courts. There is only one court of appeal which is the “conseil d’etat”, hence again an administrative court. This is based on the conviction that state action should be judged by the state itself. In contrast, in other countries such legal prerogatives of the state are much more contestable by private actors. E.g. in Germany, following the Nazi-regime and the transfer of American public law to Germany, administrative decisions are no longer dealt with in administrative courts. Furthermore, there is a strong protection of private action, as established in the constitution (Stolleis, 2012, p.191f).

understanding of the mechanisms which shape the production of this kind of regulation (Huault & Richard, 2012; Carruthers, 2015).

To answer this question, a more fine grained analysis of the sources of productive power of finance is called for, that would allow explaining why in countries like Denmark or France, despite dense inter-elite networks between bankers and politicians, the productive power of finance is less developed there. As Bell has emphasized (Bell, 2012), a better understanding of productive power requires investigating how state actors perceive and relate to certain ideas advanced by finance. The competence of bureaucrats and the capacity of knowledge production about financial sector activity by bureaucratic agencies seem to be important factors in determining such productive power (Mayntz, 2012; Thiemann, 2012a, 2012b). Further avenues of investigation to better understand the productive power of finance should also examine the role of (financial) economists in shaping the perception of the finance industry by government, that is their incorporation in business government relationships (for first suggestions regarding the different integration of economists in this respect in the US, UK and France, s. Fourcade, 2009).

In the end, the book with its focus on intra- and inter-elite coordination between banks and governments provides an important inspiration for further research on government bank relationships, one that does not start immediately with the presumption that such links are necessarily leading to regulatory or cognitive capture. All to the contrary, such relationships might prevent a financial crisis turning into a financial panic and thus might be beneficial. This paradox effect of distance and proximity, best illustrated by comparing the French and the Irish case, is from my perspective the most important thought-provoking finding this book provides that needs to be further explored. Further research into these aspects might allow political scientists and sociologists to distinguish productive relationships between finance and governments that allow coordination in times of crisis from relationships that cement the productive power of finance and lead to a favorable treatment of industry.

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