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Book Reviews

Christopher Hood, David Heald and Rozana Himaz (eds.) (2014), *When the Party's Over: The Politics of Fiscal Squeeze in Perspective*. Oxford: Oxford University Press/British Academy, £60.00, 277 pp., hbk.
doi:10.1017/S0047279415000537

'Fiscal squeezes', or 'austerity' to use the current favoured term, have become central to politics in Europe today. Comparative examples are readily trotted out to serve one side or another in the debate. Austerity and fiscal discipline are absolutely necessary. They will bring long term benefits despite the immediate pain. Just look at Sweden or Canada or Germany in the 1990s. Stick with it and all will be well.

No, others say, austerity does long term damage to social and political institutions. Established political parties who do the cutting pay a high price – look at Ireland or New Zealand. Do not despair, yet others argue, take the long view, fiscal crisis may end with the collapse of capitalism – no examples yet but just you wait.

This book is a sober counter balance to such rhetorical flourishes. It derives from a conference organised by the British Academy in the summer of 2013. The editors have done their best to pull together the individual country papers and reach some conclusions. First, they justify and categorise the episodes they have chosen. These are all significant not minor fiscal adjustments. They differ in a range of ways. Some involved mostly cuts in spending; others relied more heavily on raising taxes or on broader economic measures such as devaluation and labour market reform.

Then each chapter describes the origins of the particular country crisis, puts it in its political and institutional context and traces the longer term effects, in so far as that can be done. Nine squeezes are analysed: the United States banking crisis of 1835–43, the 'Geddes' cuts of 1923–5 in the UK, New Zealand's fiscal adjustment 1992–7, the Netherlands 1983–89, Ireland 1987–9 and more recently German fiscal and welfare reform 1996–2000, Sweden similarly 1993–2000, Canada 1993–97 and Argentina 2003.

The final chapter then asks three questions. Is there something inherently different about the politics of cuts from the politics of expansion? Are cuts of high political risk and damaging, or can parties win spurs for their courage? Do major cuts cast long shadows on the political system?

Advocates for each of these lines of argument can be found in the literature. But none emerges unscathed here. There is a negative counterfactual example for just about every generalisation. Parties emerge with reputations enhanced and destroyed. Economies rebound strongly and stagger on. Political blame is successfully passed on to other agencies and not. Beware the soothsayers. It all depends.

I enjoyed the collection and learned a lot about the country contexts for particular events.

For example, the account of the German fiscal squeeze in the late 1990s describes the complex dance that took place between the agencies involved to avoid blame and impact – the federal government, the Lander, the municipalities and the several distinct social insurance agencies that deliver services in Germany. Somewhere, in ways that were difficult for the general public to fathom, significant changes were made. It is a useful corrective to the familiar UK story where one fairly visible central agency calls all the shots.

So the structure of the political system, the nature of accountability and the fiscal rules of the game that apply at different periods matter a lot in every case. Gaining a better understanding of that is the virtue of this book but it also has its limits.

This is a political scientists' collection. It is concerned with what happened to political parties, to local government, to political actors. It is about political strategies that succeed or do not. It is not about what happened to pensioners or school children or health outcomes. In short, it is a good example of what distinguishes political science from social policy.

Moreover, there is a methodological problem. The examples chosen are essentially idiosyncratic. They differ in their causes and strategies and they are spread over a long time span. Pre civil war USA is vastly different from America in the post New Deal era. The focus is so institutional that it barely recognises the intellectual frame within which political bargains are struck. Some examples are taken from the pre Keynesian period – the Geddes cuts for example. Others are post Keynes.

Some of these examples date from a time when international organisations like the IMF or the European Central Bank did not exist. Others postdate them. Some derive from an era when automatic welfare stabilisers did not exist. This is acknowledged in the text. But there is no systematic attempt to compare the role of changing economic thought or the impact of social policy institutions in framing the political options that were, and are, available.

This focus has the virtue of narrowing the topic down. But it also reduces its relevance to the modern world. There is, for example, an economic literature on the history of cuts and of the consequences of cutting spending versus increasing taxation in previous economic crises. It is not reviewed, nor is its impact on policy makers in the recent past. No one discusses the distributional consequences of past crises. Perhaps the politics section of the British Academy could have got together with some economists and those interested in social policy to ask a broader set of questions. The time may come when such a gathering may be needed.

At £60 this book is not going to be in many students' back packs. But some chapters ought to be on their reading lists. It will make them raise more questions about 'austerity' and be less likely to be taken in by flip unexamined references to the past.

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Nicholas Morris and David Vines (eds.) (2014), *Capital Failure: Rebuilding Trust in Financial Services*, Oxford: Oxford University Press. £60.00, 432 pp., hbk.
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Trust in the financial services industry is broken. Such a categorical statement may seem harsh, but we have yet to find closure over the misdeeds and misfeasance that led to the Global Financial Crisis. A few individuals have been prosecuted and banks have paid fines. But even if more people went to jail or if the fines were significantly greater, the current chapter in financial history would still be open. The LIBOR scandal, or more recently the accusations of collusion among the world's largest currency trading banks in the foreign exchange markets, only serve to reinforce the perception that there are still fundamental flaws in behaviour and conduct. Add to this the continuance of outsized wages and bonuses in an environment where real wages for many people remain flat and an environment where governments say there is no money left