

people choose to defy so dominant a fact as scale economies achieved by large firms? There are two main reasons. First, the “marginalist” models developed by W. S. Jevons and Léon Walras produce their elegant and well-behaved equilibria only if you first assume diminishing returns to scale (this instead of a messy and ideologically embarrassing race toward oligopoly and even monopoly). Second, those models support Smith’s mythical invisible hand as a benign story about what happens when government leaves markets to do their self-regulating work. A not-so-recent *New Yorker* cartoon captures the point neatly, showing a Mom and Pop storefront being boarded up with a banner reading “Bitch Slapped by the Invisible Hand.” Slapped, that is, by big retailers imposing lower prices made possible by their returns to scale.

Joseph Schumpeter, always a troublemaker, took a very different view. He narrates the drift toward oligopolies and monopolies among firms exploiting powerful scale economies. He even feigns to fear for the future of capitalism as these coercive giants extract rents from defenseless publics. His thesis, founded on empirical observation, is that novel products, and novel ways of making or distributing old ones, constantly threaten incumbent oligopolies and monopolies with “creative destruction.” General Motors, Ford, Chrysler, and the “Treaty of Detroit” come into the story for Shlefer. The arrival of Asian cars brought Schumpeterian destruction to that once-comfortable oligopoly. The oligopolies clustered around the U.S. Department of Defense these days look in some respects ripe for the threat that would be posed by the dark shadow of peace.

Most of Shlefer’s attention falls on microeconomics, but he does forcefully take into account Milton Friedman’s doctrine that models must rise or fall on the accuracy of their predictions and the efficacy of their prescriptions. Here is his account of the Great Recession of 2008 as it brings the weight of evidence on Friedman’s own faith in the money supply as an instrument of policy: “[T]he 2008 financial crisis put Friedman’s [monetarism] to the test, and it failed. He claimed that inept monetary policies, not unregulated financial markets, caused financial crises throughout the course of American history. [Ben] Bernanke espoused his theory, so presumably he tried to manage monetary policy in accordance with it. . . . The instability of private financial markets largely drove the crisis. . . . Let me set down as a criterion, then: *models should not prove clearly inconsistent with historical or statistical experience*” (p. 276; Schlefer’s emphasis).

I myself have come to believe that economics is central to any humane reading of the past, and necessary to nearly any useful prescription for the future. Yet much of the most interesting and useful work to be done will be messier, less dependent on axiomatic thinking, and more attentive to human beings caught up in culture, seeing the world in ways that have often been erased by blackboard economics. By exposing the assumptions behind blackboard eco-

nomics, and subjecting them to careful scrutiny, Schlefer’s book is an important contribution to the indispensable project of rethinking economics.

The Age of Social Democracy: Norway and Sweden in the Twentieth Century. By Francis Sejersted. Princeton:

Princeton University Press, 2011. 560p. \$45.00.

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— Gregg Bucken-Knapp, *University of Stirling*

The narrative arc of Francis Sejersted’s book is one that is familiar to many scholars of Scandinavian social democracy. The political fortunes of the Norwegian and Swedish Social Democrats are presented in three acts: the first decades of the twentieth century, in which the two parties reject Marxism and ultimately form crucial pacts with both farming and capital in response to the economic crisis of the 1930s; a golden age of social democracy, from shortly after World War II until the end of the 1960s, in which the two parties effectively managed capitalism while simultaneously implementing a broad array of policies intended to foster greater equality of outcome; and the 1970s to the present, in which the hegemony of Norwegian and Swedish social democracy has been greatly diminished, and in which the two parties have been left programmatically uncertain in the face of new political and economic challenges, both at home and abroad. Drawing upon an extensive array of research from both the social sciences and humanities, Sejersted delivers an account that is almost encyclopedic in terms of the topics reviewed, and one that is likely to become regularly consulted by those seeking a primer in the history of Scandinavian social democracy. It will be, quite simply, the go-to book on the topic.

The author regards the comparative treatment of the Norwegian and Swedish cases as being especially useful for assessing claims from those scholars, such as Sheri Berman (in *The Social Democratic Moment*, 1998), who argue that the decision by Swedish Social Democrats to embrace democratic revisionism is crucial for understanding their success, in contrast to the path of the German SPD (the Social Democratic Party). Sejersted notes that had Sweden been swapped out for Norway, such a conclusion would have required tempering, as “Norwegian Social Democrats clung to their Marxism for a long time, but were nevertheless almost as successful as the Swedes.” (p. 5). However, as a result of a flirtation with antiparlamentarism and class struggle in the late 1920s, the Norwegian Social Democrats suffered a strong setback in the 1930 parliamentary election. Voters returned to them in 1933, after the party had rejected the antiparlamentary route. While the Norwegian Social Democrats may have backed a Marxist line for a longer period of time, it is not support for these ideas that explains the party’s success. Rather, it is the eventual abandonment of a dogmatic stance and the emphasis on developing a pragmatic crisis response. In

that sense, the ideas underpinning the rise to hegemony for the two parties were ultimately more alike.

A frequent strategy of the author is to highlight differences in national context when tracing the evolution of the Social Democrats in both settings, or in discussing specific episodes of policy reform. One example is his emphasis on the institution of negotiative corporatism (p. 227) in Sweden as being solely a forum for social partners, whereas Norway's variant also afforded the state a seat at the table. A second is the manner in which Sejersted stresses the differing levels of strength held by key societal actors, with a point being made of historically more powerful Swedish capitalists, yet a substantially stronger role for the state in Norway. Readers hoping to develop a nuanced appreciation of the situation faced by Norwegian and Swedish Social Democrats will, of course, value the manner in which the author repeatedly details national differences in context. However, comparativists may periodically wonder whether Sejersted, in highlighting cross-national differences, is also demonstrating the impact of these structural, institutional, and other forces in the specific cases under consideration. Here, the admirably comprehensive scope of the book periodically works to the slight disadvantage of the author. The large number of relatively concise vignettes in the history of Norwegian and Swedish social democracy occasionally lack analytical bite, serving more as summaries of key events in which the two Social Democratic parties have been central players. While not decreasing their utility for readers as a reference tool, Sejersted's sketches are not always full-fledged causal arguments.

For fans of Scandinavian social democracy, Sejersted's depiction of its difficulties in adapting to the new political and economic landscape post-1970 is not always cheerful reading. In tones reminiscent of Joseph Heller, the author informs us that "something happened around 1970. . . . The old sense of unity shattered" (p. 333). Indeed, Sejersted labels the 1970s the "decade of hesitation and fumbling" (p. 334). By the 1980s, according to the author, public faith in the almighty state faltered, "leaving more room for the market and the civil society" (p. 491). In this final third of the book, the two Social Democratic Parties struggle while attempting to navigate this new political terrain. The challenges arrive one after the other here: youth rebellion, environmental politics, industrial democracy, international economic crisis, debates over European Union membership, defections from administrative corporatism, a greater emphasis on freedom of choice in social policy, and much more.

It is not only political tides that shift in this latter section of the book, however. It is also Sejersted's tone. Throughout the book's early sections, there are many moments in which the author injects an almost under-the-radar sense of humor when characterizing political developments. Here, though, while the same rigorous treatment

of the material dominates, the mood becomes almost wistful, as when Sejersted reflects on challenges to the Social Democratic welfare state in the 1980s by noting: "The happy expectation of at some point being able to reach the goals had gotten lost along the way. So when the goal was reached, the future was lost" (p. 491).

Despite this somewhat downbeat assessment, Sejersted underscores that contemporary events have taken only a limited toll on the fortunes of Norwegian and Swedish social democracy, arguing that the parties remain the biggest in their respective party systems, that the trade union organizations have "preserved much of their strength," and that the "Social Democratic social contract" has remained largely intact (p. 387). At least in terms of electoral politics, there is certainly an argument to be made that Sejersted's conclusion has not always been borne out by recent trends. Indeed, while the Norwegian Labor Party has recovered impressively from a disastrous showing at the polls in 2001 and currently holds the reigns of government, an equally positive picture cannot be painted for the Swedish Social Democrats. The party is only now showing signs of recovery following two solid losses at the polls in 2006 and 2010, and is at the very early stages of developing a strategy that may allow it to regain power in an era when voters have viewed the governing non-socialist Alliance as an effective manager of Sweden's economy.

Assessing recent trends from such close range is, of course, never straightforward, but this hardly detracts from the commanding historical overview of Norwegian and Swedish social democracy that Sejersted has produced. This book should find its way onto the shelves of every scholar of Scandinavian social democracy, serving as both a highly valuable reference tool and an inspiration for research questions that have yet to be formulated.

Controlling Institutions: International Organizations and the Global Economy. By Randall W. Stone. New York:

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— Tim Bütthe, *Duke University*

In *Controlling Institutions*, Randall W. Stone develops an original theory of "informal governance," which illuminates key aspects of international organizations, institutionalized governance more broadly, and the politics of delegation. Using this analytical framework, he provides a multifaceted, compelling analysis of the origins and operation of the formal rules and informal ways of governing the International Monetary Fund (IMF). In addition, he presents exploratory analyses of the GATT/World Trade Organization and the European Union to illustrate the broader applicability of his model to other international organizations. This important book promises to bring closure to the fruitless categorical debate whether or not formal institutions matter when they operate in the shadow