Richard Grossman, *Unsettled Account: The Evolution of Banking in the Industrialized World since 1800* (Princeton: Princeton University Press, 2010), pp. xx, 384, Index, $45.00. ISBN 978-0-691-13905-0.

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Historians of economic thought have not dug deeply into how previous generations thought about bank panics. A topic search of *JHET* for articles published between 1998 and 2010 returned just four articles on banking and none on banking crises. A search of *HOPE* for the same period returned several on banking, but just one on crisis and response; namely, Denis O'Brien's (2003) investigation of the lender-of-last-resort idea in Britain. Grossman's carefully researched and well-written book does not fill this void. It is economic history, not intellectual history. But it is packed full of the facts surrounding crises and the responses to them that would point intellectual historians toward interesting questions. Banking crises are an integral part of banking and they occur with disturbing regularity. Each crisis is treated as *sui generis*, which, to a certain extent, is true—the Great Recession is not, for example, a lesser Great Depression—but Grossman shows that most panics share certain features. It would be a worthwhile enterprise to explore how thinking about banking and the causes and cures of banking panics has evolved since banks first came on the scene.

Economic historians have long been fascinated with crises, and the recent crisis generated a wave of historical studies designed to put recent events into context (Reinhart and Rogoff 2009, Cassis 2011, Eichengreen 2012). The common thread connecting the historical analyses is their belief that financial crises are nearly inevitable, especially when finance is lightly regulated. Grossman's book offers a valuable perspective missing from some other recent studies in that he traces not just the recurrent boom–bust cycles in finance, but also the regulatory responses that have emerged to reduce the likelihood of crisis, or, at least, ameliorate its negative consequences.

Although banking dates to antiquity, the modern commercial bank is only about two centuries old, so limiting the analysis to that period is logical and defensible. Grossman's book is an exploration of the emergence and evolution of commercial banking in a broad swath of modern industrialized countries that, on their face, have little in common other than they are industrialized and have banks. How is one to connect the banking histories of such disparate places as the United States, England, Belgium, Sweden, Germany, Japan, and Australia, among others, in so short a space? Organizing the material to illustrate shared histories presents several conceptual challenges, which Grossman overcomes by separating the book into two distinct but related sections. The first is best described as narrative cross-country analysis. There are separate chapters on bank crises, bank rescues and bailouts, merger waves, and regulation that compare unique national experiences. The second half of the book provides, for lack of a better term, separate longitudinal analyses of England, Sweden, and the United States, discussing bank crises, rescues, mergers, and regulation in narrower, national contexts.

Written mostly before the financial crisis of 2008–09, with some sections lightly revised to acknowledge current events, the substantive chapters begin with banking crises. Grossman rightly notes that banking crises and financial crises often occur in tandem with similar consequences—falling asset prices, borrower default, and recession—but are conceptually distinct phenomena. Grossman's interest is in understanding bank phenomena in light of modern rather than contemporary theory, so he treats bank panics as a consequence of asymmetric information and coordination problems. Because banks hold opaque portfolios, depositors who observe falling asset prices cannot readily distinguish solvent *but* illiquid from insolvent *and* illiquid banks. Nervous, poorly informed depositors want to be first to cash out and, in doing so, generate bank runs. And, left to their own devices, banks typically cannot coordinate because, while each has an interest in systemic stability, which may mean coming to the aid of distressed but sound banks, each has its own nervous creditors and must protect its own reserves.

There is not much for the historian of ideas to chew on in the chapter on panics: Grossman offers little contemporary thinking about them, organizing his narrative around modern approaches instead. Chapter 4, on the responses to panics, when read in conjunction with the relevant sections of the chapters on England, Sweden, and the United States, does offer accounts of contemporary (as well as modern) thinking about the appropriate public and private response to a panic.

If the history of panics teaches us anything, it is that panics get people thinking about how to deal with them, how to avoid them, and how to ameliorate the consequences once they occur. Recent books by Hoffman et al. (2007) and Cassis (2011), for example, portray financial crises as turning points that offer opportunities for rethinking and reforming the banking and financial sector. Then, as now, policy-makers and economic analysts faced two related questions. What is the most appropriate short-term response to ameliorate the crisis? What is the most appropriate reform to avoid a similar panic in the future?

The bailout, as a short-term response, knows no ideological or geographic boundaries. The Bank of New South Wales was bailed out in 1826, as was the Banque de Belgique in 1838, the Schaaffhausen Bank of Cologne in 1848, and, perhaps most famously, the Baring Bank in 1890. Faced with the potential economic carnage following the failure of a large institution, governments step in to rescue troubled banks. The earliest bailouts were government operations by necessity because the financial systems were rudimentary and the government alone commanded the resources necessary to save the bank in question. Once the financial system matures, government solves the coordination problem by using its powers to organize concerted responses by sound institutions that come to the aid of troubled ones.

Grossman's clearest statements of evolving thinking about the problem emerge in his discussion of the lender-of-last-resort role of central banks. Sir Francis Baring was arguably the first to advance the idea in 1793. Henry Thornton refined it in his 1797 Parliamentary testimony. But it was nearly a century before Henry Bagehot (1873) offered his now-classic prescription: the central banks should lend freely on good security at a penalty rate. Both Thornton and Bagehot are clear, however. The central bank's sole responsibility in a crisis is to maintain liquidity; it should not rescue. They call for haircuts all around and failure when warranted. Given the Federal Reserve's response to the recent crisis, it appears that the divide between prescription and practice remains as wide now as in the nineteenth century.

It is hard not to wonder what economic thinkers of the past would think about the recent crisis and the central banks' and the governments' responses to it. Finance is central to capitalism and banking to finance, so it surprising that intellectual historians have not spilled more ink on the industry. Grossman's excellent survey of the evolution of banking practice across industrialized economies provides the historical facts.

Perhaps it is time to better understand how intellectual cross-currents in economics influenced the choices made by regulators. On a more practical level, understanding how economic thinking and economic crises interacted in creating policy in the past might provide for better policy in the future.

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Angus Burgin, *The Great Persuasion: Reinventing Free Markets since the Depression* (Cambridge, MA: Harvard University Press, 2012), pp. 320, $29.95. ISBN 978-0-67405-813-2.

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In *The Great Persuasion,* Angus Burgin has given us a carefully researched and clearly presented account of the place of the Mont Pèlerin Society (MPS) in the development of the modern conservative or neo-liberal movement. Like another recent collection (Mirowski and Plehwe's *The Road from Mont Pelerin: The Making of the Neoliberal Thought Collective*), the book seeks to account for the long-term influence of a group of academics and of a set of ideas upon the policy consensus of recent years. In so doing, we are provided with a narrative account of the evolution of the MPS, which, by implication, parallels the rise of the prominence of 'neoliberal' ideas in the policies of the 1970s and 1980s. The point is that ideas matter and are influential over the long term. The history of the MPS suggests that ideas do indeed matter, and Burgin's approach to the society itself is to examine the diversity of opinions expressed by its members and the shifts in ideas within the society.

The central thesis of the book is that the MPS changed over time from a broad church dedicated to the philosophical principles of a free society, to a narrower group devoted to a particular style of economics with a more extreme version of free market advocacy. Burgin's argument is that one can trace two distinct periods in the development of MPS, the period where F. A. Hayek established the society, acted as president, and held the position as the foremost public advocate of market economics; and the period