their choice of topic. The real defense of this choice, however, is found in the rich and stimulating analysis of Veblen's political thought, beginning with Chapter 4, and the authors have every reason to be confident in letting that analysis speak for itself. Some readers may wish to skip directly from the first (introductory) to the fourth chapter, leaving Chapters 2 and 3 for later.

Substantively, readers should beware that this study does not attempt to locate Veblen's ideas within the context of Progressive America. The authors embed Veblen's work within the canonical nineteenth-century European sociological and radical traditions (e.g., Marx, Weber) and twentieth-century radical theory (e.g., the Frankfurt School, Foucault). Specialists in American political thought have no general grounds for objecting if Plotkin and Tilman believe that Veblen's thought is best illuminated in this broader sociological and radical tradition, of course, even if they would like to know more about his intellectual relationship with such obvious figures as John Dewey (whose career intersected with Veblen's at a number of points; Tilman has written about this in the past). However, there is reason to think that at a number of critical moments in their analysis, the authors would have been less prone to find Veblen's ideas quite as unique as they do had they been thinking more in terms of the debates from Veblen's own American context. The preoccupation with anthropology, evolutionary naturalism, the limits and potential of constitutional thinking, the devastating critique of war and the state—these (and more) themes from Veblen's thought all echo forcefully throughout the American intellectual world of his lifetime. It is not simply that specialists in American political thought might like to focus on topics of lesser interest to Plotkin and Tilman. It is, rather, that the likes of Dewey, Franz Boas, and Randolph Bourne may be just as important for understanding and evaluating Veblen's political ideas as are Marx, Weber, and Gramsci.

Plotkin and Tilman rightly point out the frustration that so many "engaged" intellectuals have with Veblen's refusal to politicize his scholarship, and they discuss in detail his understanding of noninstrumental "science" (that is, scholarship). More could fruitfully be said, however, about the degree to which Veblen's scholarly ideals set him deeply at odds with the reformist intellectual and educational commitments of his generation. While Dewey struggled mightily to "reconstruct" intellectual life as a powerful and effective democratic weapon, and is widely praised and admired for doing so, Veblen insisted that what he called "idle curiosity" is the only legitimate value for a civilized, modern academy. This places him squarely at odds with all activist and politicized intellectuals. In this sense, one of Veblen's most powerful, enduring political ideas is a negative one, as he insists on the need to keep our scholarly life as far as possible from what he views as the inevitable corruptions of (even aspiring to and reforming) political power. This commitment alone distinguishes Veblen's intellectual radicalism and serves as a significant challenge to much liberal, "progressive," and radical political thought.

This Time Is Different: Eight Centuries of Financial Folly. By Carmen M. Reinhart and Kenneth S. Rogoff. Princeton: Princeton University Press, 2009. 512p. $35.00 cloth, $19.95 paper.
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— Anil Hira, *Simon Fraser University*

Where have all the relevant political economists gone? While political scientists in general have enjoyed a great deal of attention during this election season and in regard to the tumult around the Middle East, it seems hard to find a fellow political scientist in the public spotlight who can speak about perhaps the most important issue of all, the continuing economic crisis in the West since 2008. The best-known voice on this issue, *New York Times* columnist and Nobel-winning economist Paul Krugman, is known for pointing out the insufficiencies of the stimulus program. In this book, economists Carmen Reinhart and Kenneth Rogoff take a much-needed longer view, placing the current crisis, with a focus on the U.S. housing bubble, into historical perspective. The main theme of their book, as revealed by the title, is that there is a common tendency in the midst of asset and/or financial bubbles to miss obvious (in hindsight, anyway) indicators of overvaluation.

It is risky to try to find fault with a book that is lauded by other well-known economists and financial analysts as "a masterpiece." However, from a political science perspective, the book reveals a genuine missed opportunity for us to make a contribution to this debate, namely in better understanding the policies behind, and in reaction to, the crisis. Reinhart and Rogoff's most important contribution is the development of an historical database of all financial crises that goes back to the nineteenth century. This painstaking effort allows them to examine patterns across crises, documenting observations that are not particularly novel in some cases but important for realizing their them as reflected in the title. En route, they examine crises from a number of angles, from sovereign debt crises to domestic debt defaults to banking and currency crashes. They end with an analysis of the U.S. subprime crisis and some general lessons.

Each section contains an interesting analysis based on the original data set. However, beyond the overall theme, it is hard at times to follow a train of logic from one section to another. The different sections seem to reveal instead the multifaceted nature and sources of debt crises, such as the difficulty in separating domestic from external shocks. In this sense, one could argue that it is important to condition the historical analysis more strongly than the authors do here. First, there is the question about whether

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data from the nineteenth century are really as reliable as current data. In fact, in some notes, the authors mention that extrapolation was used to develop the numbers. Second, pooling all of the countries together, over space and time, from El Salvador to Mauritius to the United States, could confound one's ability to find causal relationships if indeed the units are not alike. As the authors point out, for example, the ways in which the debt crises in Latin America occurred during the early twentieth century are remarkably different from what occurred in the 1980s. Third, the sources of the data are mixed in the analysis, leading to the possibility that differences in quality could confuse the results. Thankfully, the authors rely primarily on descriptive statistics for their analysis, which makes their observations more plausible and accessible.

One of the alarming things pointed out by Reinhart and Rogoff in Table 17.1 is that sovereign ratings are among the worst early indicators of banking and currency crises. This fact reveals, along with the recent crisis over the London Interbank Offered Rate (LIBOR), the squishy foundation upon which much of financial analysis is based, as well as the bets that depend upon it. More importantly, the book suggests overall that economic indicators rely in part on current perceptions, but in fact they reflect reality and lend themselves to procyclicality rather than accounting for the risks, as the efficient-market hypothesis, on which much of current financial transactions are based, suggests.

Nonetheless, the authors offer some interesting original observations. One is that sovereign default has been quite common throughout history, and we tend to forget that even the United Kingdom defaulted a number of times. An interesting puzzle they bring up is why a handful of countries, including the United States, Australia, Canada, and New Zealand, have never defaulted. They note at the beginning of Chapter 4 that country default "is often the result of a complex cost-benefit calculus involving political and social considerations, not just economic and financial ones" (p. 51). This reinforces the problem of relying primarily on ratings agencies that conduct little in-depth analysis of politics in their calculations.

Another important observation concerns the limits of supernational law in dealing with debt enforcement. By implication, the authors extend this point to the problems of subnational debt. It also brings to mind the variety of tax and financial havens around the world that confound policymakers as well as economists trying to track financial transactions. This reflects the general lack of transparency that they decry throughout the book, particularly highlighting it in Chapter 9.

Reinhart and Rogoff allude to, but do not really explore, the differences in investor versus borrower power. While we recognize from the book that there are vast differences over time and space, we really do not know why. An interesting observation they make about real estate is that price cycles seem to follow common patterns when they are tied to banking crises across regions. In some ways this seems obvious; however, it does reveal a major disconnect in current policy in downplaying the links between the housing and banking sector, which of course brings up the question of the potential political business cycle related to construction. If there is such a procyclical housing policy tendency, I would suggest that the last decade's boom was based on an artificial foundation. I would make the same observation, in turn, about the run-up in consumer debt.

Last but not least, the authors conclude on page 289 that there is little evidence that countries can simply "grow out" of their debts, which of course opens up for scrutiny the current Republican idea, as previously seen in supply-side economics ideas of the 1980s, that simply lowering taxes and reducing regulation will significantly reduce the debt.

The authors mention, but do not explore, changes that political economists have been discussing, largely among themselves, over the past two decades. The first is the transformation of the global economy through globalization, including both formal and informal economic integration; reductions in transactions costs, including communication and transportation; and the development of economically focused international regimes, such as the World Trade Organization after the end of the Cold War. Evidently, the rise of China starting in the 1990s as an economic superpower, and more particularly the flood of recycled dollars from abroad into the US housing market, is another condition suggesting that caveats to historical patterns noted by the authors are in order. A second and related example worth mentioning is the transformation of financial markets themselves over time. The development of new financial instruments, such as credit default swaps, derivatives, and the related merging of banks and investment houses, is vital for understanding the roots of the current crisis. A final example where political economists should be getting more attention is the changing nature of the developing world itself. Potentially, the rate of resilience of some parts of the developing world to financial crisis, such as Brazil, is due simply to increases in commodity prices related to Chinese demand. However, a more nuanced analysis would reveal the important adjustments that Brazil made politically in the wake of the return to democracy, the growing consensus over the importance of macroeconomic stability, and the social pact oriented toward proactive policies to improve social equity.

Reinhart and Rogoff make an important and revealing observation that is relevant for the 2012 US election season: historically, recovery from financial crises of the magnitude we are experiencing now takes quite a long time. This sobering analysis reinforces their lasting contribution in spotlighting the need to look much more carefully at how long-term policies can be adjusted to

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mitigate future cycles. In particular, they open the door, unwittingly, to some of the basic assumptions about rationality on which our economic system is based. The work of pioneering behavioral economists such as Daniel Kahneman and Dan Ariely reveal that these wrenches in simplistic economic assumptions can be explained from a psychological perspective. These emerging authors highlight why seeming irrationality leads us to say in each financial crisis that "this time is different," revealing the limits of current economic and policy approaches in regard to missing the psychological roots of such weighty miscalculations.

The Tyranny of Utility: Behavioral Social Science and the Rise of Paternalism. By Gilles Saint-Paul. Princeton: Princeton University Press, 2011. 174p. $39.50.
doi:10.1017/S1537592712003453

— Thom Brooks, *Newcastle University*

Richard Thaler and Cass Sunstein's coauthored (2008) *Nudge* is among the most favored texts of political classes on both sides of the Atlantic and beyond. This work defends targeted "nudges" by policymakers to improve the everyday decisions made by citizens concerning health, wealth, and happiness. Thaler and Sunstein claim that nudges should be understood as a case of libertarian paternalism. Nudges are libertarian because they must maintain, if not increase, the available choices that citizens should be free to make for themselves. However, nudges are also paternalistic by framing choices in ways that might better promote superior decisions. For example, school cafeterias might reorganize their display of fruits, vegetables, and desserts so that no options are removed, but some become more eye-catching and more likely to be chosen for the benefit of schoolchildren. While the authors acknowledge various objections, they conclude that libertarian paternalism respects choice while supporting better outcomes, often at minimal expense. It is easy to see how such an approach has found strong appeal among politicians and policymakers eager to improve public policy in difficult economic times.

Gilles Saint-Paul's *The Tyranny of Utility* is a well-argued critique of the behavioral economics that underpins libertarian paternalism. Saint-Paul is concerned that behavioral economics may contribute to more paternalistic interference by government and not less. Governments often seek to introduce policies that lead to improvements across indicators, such as health and well-being. The problem of libertarian paternalism is that it is perhaps a less transparent form of paternalism where citizens believe they are deciding freely for themselves, but in fact their choices are influenced by almost secretive manipulation of the choice architecture. So citizens will be steered, or "nudged," more often toward making the choices that policymakers have determined for them in advance.

One concern is whether any government should be justified to structure individual decision making in this way. While governments should be able to pursue policy goals, these should be more transparent: Citizens may be misled into believing that their choices are determined as autonomously as they may assume. The greater use of nudges as policy instruments might contribute to the public's becoming less informed about the policies pursued by governments and, more especially, the means by which these policies are pursued. Citizens deserve better clarity about why their choices should be different and how their choice architecture is constructed. For Saint-Paul, a major problem here is that saying too much about the construction of choice architecture may give away too much and lead to the failure of citizens to make the "best" choices according to governments.

A second concern is whether any government should be justified in pursuing policies where it knows best. Perhaps obesity should be reduced. But should governments influence my choice of diet? Or should it structure my decision frameworks so that I choose what the government believes is best in other individual decisions concerning my person? This then raises further the problem of governments pursuing the agenda of private-interest groups at the expense of the public. The concern here is that governments may be tempted to use nudges to support their future political fortunes instead of the public good. If governments seek to remain in power and it were possible to influence the public to provide further support through nudges, then many governments may choose to use nudges to promote their own political interests or the interests of their political supporters over the public good for which nudges have been justified. Nudges represent a Pandora's Box more likely to produce problems than acceptable solutions. Saint-Paul argues that nudges offer a stronger case for "imposing greater constitutional limits on government" than for freely steering the construction of public policy implementation (p. 150).

The book has many merits. It is political economy presented in an accessible way without being overly verbose. The chapters are tightly focused and arguments succinct. These factors contribute to producing an enjoyable and highly engaging book. While many arguments are well presented, some readers may find some claims too abrupt. For example, the book begins with a critique of utilitarianism and economic policy where I share broad sympathy with the general argument, but where a greater recognition of the wide tent that is "utilitarianism" might go some way to a more robust engagement with this opponent and an even more convincing critique.

Perhaps the biggest shortcoming is that the chief exemplar of its opponent, Thaler and Sunstein's *Nudge,* is nowhere mentioned. The authors receive one joint mention and Thaler is cited briefly on two other pages, although their jointly coauthored article "Libertarian Paternalism"

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