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Nolan McCarthy, Keith T. Poole, and Howard Rosenthal. *Political Bubbles: Financial Crises and the Failure of American Democracy*. Princeton, NJ: Princeton University Press, 2013. x+356pp.

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Anyone who hasn't been stranded on a desert island for the past decade is unavoidably aware that in 2008 the United States and other parts of the world endured a severe financial meltdown that initiated the collapse of many financial institutions, brought the mortgage industry to its knees, launched a recession of a magnitude unseen since the Great Depression, destroyed the home ownership aspirations of many minority buyers, and led to a massive reform of the financial industry on a scale matching that of the New Deal.

Whoa! Financial reform? What financial reform? It seems as though nothing much has changed. Rather, the political outcome was tokenism and a rapid return to business as usual, if not beyond usual, took place, consisting of a revisiting of the bubble-making machine of the 1980s, 1990s and after. Correction never happened, and *Political Bubbles* attempts to explain why despite financial calamity after financial disaster since the founding of the government, financial bubbles that inevitably collapse remain almost unstoppable and will persist periodically for the foreseeable future unless some miracle changes the American political system.

The authors are up front that their previous book, *Polarized America* (MIT Press, 2006), was overly optimistic when it ended with a prophecy that the system would become more stringent as political imperatives forced a tightening of the reins and that they were as surprised as anyone else to find that the aftermath was a rapid return to the conditions that led

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to the meltdown, with rewards for one and all of the guilty parties. After all, they are but political scientists, not seers and prophets.

Although disappointed that the crisis went to waste from a reformer's perspective, the authors are not at all confused about what happened and why. The reasons are not necessarily in the economic system but in the political one. For one, the founders' political structure promotes slow and desultory and only partial movement because the founders preferred minimal government involvement in the business of America. Compounding the historical slowness is the almost total polarization of Congress today, which means that any action too far from the middle lacks a majority or, in the case of the Senate, a super majority. Additional elements include a weak bureaucracy, understaffed, underpaid, underfunded, and overmatched by the legal expertise of the financial industry's hired guns as well as the financial industry's superior ability to offer post-government incentives to executive and legislative branch individuals.

Political Bubbles includes a history of government and the various financial bubbles with associated reform efforts. Also notable, it contains a well developed political science analysis of the spectrum of positions held by individual members in a given congress on a series of reform bills. This section explains the constraints that polarization presents to reform when only a handful of members are amenable to influence and only to a small extent.

The historical chapters describe and explain previous burst bubbles, from the nineteenth century through the one that led to the Great Depression and the New Deal and the lesser savings and loan debacle that led to no legislative tightening at all, a clear precursor of the late-Bush collapse. There is also a detailed chronicle of the 2008 collapse in the context of the already-defined preconditions for disaster without more than a highly selective recovery and no precautions heading off the next.

As good political commentary, the study includes a section on reform actions necessary to forestall the next. Don't let any institution become too big to fail. Simplify the rules – and enforce them. That sort of thing. Mostly it's common sense.

But there is a greater probability by far that a next bubble and disaster will come rather than that the forestalling reform actions will take hold. After all, the reform opportunity given to Obama during a change of party in power went instead to health care, leaving the

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financial system ripe for not only disaster but post-government employment by the administration's regulators and the party's Congress people. And as if reading the authors' minds, as early as 2011, MF Global failed, another example of a system too big, or at least too inconvenient, to fix. The authors are not optimistic.