

would expect Francis at this point to encourage a revision of professional ethical standards in finance, or perhaps a strengthening of the Dodd-Frank Act and similar measures. He veers instead toward a traditional, if ever valid, recommendation completely unrelated to the ethics of finance: “Not to share one’s wealth with the poor is to steal from them and to take away their livelihood.”

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## A History of Financial Crises: Dream and Follies of Expectations

**Cihan Bilginsoy**

London: Routledge, 2015 (446 pages)

## How Crises Shaped Economic Ideas and Policies: Wiser after the Events?

**Nicos Christodoulakis**

Cham, Switzerland: Springer, 2015 (222 pages)

These books add a historical dimension to analysis of the recent financial crisis, about which a shelf of titles has already been published. Both are written by professional economists (university professors) who are properly critical of professional economics. They recognize that economic theory, far from being a set of laws or propositions that were sent down from on high and etched into stone tablets, is in fact a historically contingent enterprise that owes much to the particular environment within which it happens to be formulated. This is especially obvious in times of economic distress. As Christodoulakis writes, “most economic theories sprung [sic] to life as a response to a crisis, putting aside previously held orthodoxies that failed to foretell or cope with the shock” (1).

Bilginsoy’s *A History of Financial Crises* is an impressive marshaling of the history of theory to carry forward a narrative of repeated financial crises and economists’ analyses of them. Bilginsoy offers thorough and illuminating accounts of famous “bubbles” throughout Western history, beginning with the Dutch tulip mania of the seventeenth century and continuing through the financial crisis set off by the American real estate collapse in 2007.

The book is intended to be used as text for economics classes and thus Bilginsoy presents a variety of economic views on each episode rather than making an argument for one or another position. Although the cast of characters for each episode varies somewhat, major schools that are frequently put into conversation are the Austrian (usually represented by Murray Rothbard), Keynesian, Chicago (Milton Friedman), and institutional (Charles Kindleberger). (Bilginsoy summarizes the various approaches somewhat differently in chapter 6.)

This feature, combined with its exceptionally clear writing, makes the book an appealing entry in economic history. Although Bilginsoy’s sympathies are evident in many

places—it is neither expected nor desirable that it should be otherwise—he is conscientiously fair to each school of thought. This approach is valuable not merely because it demonstrates the author’s evenhandedness; more importantly, by offering compelling summaries of three or four perspectives on each crisis, Bilginsoy adequately displays the complexity of economic affairs and the difficulty of assessing them. Even when professional economists’ analyses are not explicitly contradictory (as they sometimes are), their differences in weighing the sources of economic dysfunctions can lead to radically different public-policy guidance. Bilginsoy captures this complexity; his book is thus a rare and praiseworthy achievement.

Christodoulakis’s account reaches farther back in time, beginning with discussions of economics in Ancient Egypt and Greece. He traces developments in economic theory and practice through the Middle Ages and then the modern period; in the latter, he covers some of the same ground as Bilginsoy—for example, the tulip mania and the Great Depression.

Christodoulakis’s wider lens makes for a much different book, however. Chapter 5, on the crisis of the fourteenth century, is indicative. He provides an overview of the period, mostly gleaned from secondary sources, highlighting important developments such as the massive transfers of wealth that occurred as a result of the plague. But there is no fine-grained analysis here as there is in Bilginsoy, nor is there any comparison among competing explanations that are based on differing economic theories. Thus large portions of Christodoulakis’s book, though informative in a general way, are less sophisticated and probing than are Bilginsoy’s analyses.

At times, Christodoulakis’s approach results in unjustifiable oversimplification such as his treatment of Christian views of commerce (48) or his claim that within the Holy Roman Empire, “the Pope’s primacy over secular power was absolute” (49). His summary statement of the Reformation’s impact on economic views (65) is at least simplistic and arguably wrong. Later he states that Luther’s motivation for the doctrine of *sola fide* was “entirely” economic (127). He misrepresents Tocqueville’s views on race and slavery (83–84).

There are at the same time a number of keen insights and fascinating nuggets. Among these are a tangent on the number seven (2); a summary of the views of major economists on the concept of crisis (21–22); a solid treatment of Marxism and central planning (chaps. 8 and 11); and a wise caution concerning the asymmetry of prophetic memory (216). In his discussion of the highflying mathematicians (“quants”) who constructed the automated trading programs that caused havoc during the financial crisis of 2007–2009, the author observes that the inability of most people (including economists and stock traders) to understand the quants’ equations makes the latter a kind of “black box.” And, “as happens in aircrafts, the black box of the financial markets was dutifully scrutinized after the crash” (205).

Unfortunately, these gems are concealed beneath a pile of simplistic and inaccurate statements, and further obscured by a thicket of errors of grammar, diction, and even spelling. Not only do such errors litter nearly every page of the book; they are at times so serious as to render the meaning of sentences unclear.

Christodoulakis's book may be perused as a general though not entirely reliable survey of economic history. Bilginsoy's work should be widely and carefully read; it is highly instructive concerning not only the details of past financial crises but also the diverse ways they have been interpreted by academic economists.

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## A Commercial Republic: America's Enduring Debate over Democratic Capitalism

**Mike O'Connor**

Lawrence, Kansas: University Press of Kansas, 2014 (287 pages)

Intellectual historian Mike O'Connor's *Commercial Republic* is a well-written but flawed argument for "democratic capitalism." By that term, he means partial political control of the market by a popularly elected government (8). In surveying the political scene after the 2008 market crash, O'Connor decides that the Tea Party, which often appeals to the example of the Founders to buttress its policy proposals, must be discredited. He maintains that the "notion of a prelapsarian period in which the government refrained from influencing economic affairs plays a prominent role in contemporary conservatism" (6). This rhetoric, he claims, is not an accurate representation of history but "a utopian conservative political ideal read backward into the past" (7).

Using a "case study approach," O'Connor examines six events or debates in American history in order to demonstrate that the federal government since its conception "has exerted considerable influence on the nature and shape of the national economy" (7). He concludes, "It is the specific nature of government economic intervention, rather than its mere existence, that defines the character of American democratic capitalism" (248).

O'Connor's conclusion is mundane: historians in the past fifty years have not questioned that the federal government consistently intervened in the economy. The book concerns contemporary political fears of libertarian economics rather than scholarly controversies. This review, therefore, will focus on O'Connor's uses of the American past to persuade the reader that current economic policies lie within the tradition of American economic thinking. O'Connor achieves this by simplifying past events and arguments and, especially in his treatment of the debates during the early Republic, by minimizing or ignoring the constitutional arguments about economic policy. Democratic capitalism emerges as an inadequate and incomplete concept for discussing the history of political economy in the United States.

O'Connor legitimates democratic capitalism by placing the concept in the center of his breezy narrative of American history. The first three chapters deal with the eighteenth and nineteenth centuries. Before the Civil War, O'Connor's heroes, unsurprisingly, are Alexander Hamilton and the Whig Party who argued for federal government intervention in the economy. Hamilton, O'Connor insists, believed that "government has the right,