

# Book Reviews

## Editor's Note: Guidelines for Selecting Books to Review

Occasionally, we receive questions regarding the selection of books reviewed in the *Journal of Economic Literature*. A statement of our guidelines for book selection might therefore be useful.

The general purpose of our book reviews is to help keep members of the American Economic Association informed of significant English-language publications in economics research. We also review significant books in related social sciences that might be of special interest to economists. On occasion, we review books that are written for the public at large if these books speak to issues that are of interest to economists. Finally, we review some reports or publications that have significant policy impact. Annotations are published for all books received. However, we receive many more books than we are able to review so choices must be made in selecting books for review.

We try to identify for review scholarly, well-researched books that embody serious and original research on a particular topic. We do not review textbooks. Other things being equal, we avoid volumes of collected papers such as *festschriften* and conference volumes. Often such volumes pose difficult problems for the reviewer who may find herself having to describe and evaluate many different contributions. Among such volumes, we prefer those on a single, well-defined theme that a typical reviewer may develop in his review.

We avoid volumes that collect previously published papers unless there is some material value added from bringing the papers together. Also, we refrain from reviewing second or revised editions unless the revisions of the original edition are really substantial.

Our policy is not to accept offers to review (and unsolicited reviews of) particular books. Coauthorship of reviews is not forbidden but it is unusual and we ask our invited reviewers to discuss with us first any changes in the authorship or assigned length of a review.

## B History of Economic Thought, Methodology, and Heterodox Approaches

*The German Historical School and European Economic Thought*. Edited by José Luís Cardoso and Michalis Psalidopoulos. Routledge Studies in the History of Economics, vol. 176. London and New York: Taylor and Francis, Routledge, 2016. Pp. xxx, 241. ISBN 978-1-138-94050-5, cloth; 978-1-315-67431-5, e-book.

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The present book meets the interest in the German Historical School (GHS), which is on the rise again, not by comparing it to other currents

of economic thought, as one might interpret the title, but by showing how the ideas of the GHS were received in a dozen European countries. Although it is agreed that the school was not as homogeneous as the designation “school” suggests and not as exclusively German as the name implies, and although main representatives were competent in economic theory after all, the selection proves that in most of the countries considered, the GHS was perceived as a leading current in economics in the latter half of the nineteenth century and beyond. It had emerged out of the problems of development in the German states and became important by identifying the problem of development and proposing how to foster

it. Historism was a European phenomenon, not confined to economics, and so were the ideas about ethics and progress associated with it. The editors, in their introduction, present the GHS as an alternative to classical thought on many fronts (method, reforms, growth and development, institutionalism), but they feel, as a result of the inquiry in the country studies, that the ideas of the GHS outside Germany mainly served ideological and instrumental purposes: "When using or quoting German authors in support of their arguments, European political economists were merely [sic] using rhetoric devices to make their proposals sound and acceptable" (p. xviii). The editors discuss the uses made of the GHS. In particular, it was referred to in order to question the scientific status and narrowness of political economy, and in order to complain about the excessive use of abstract deductive methods. They argue that the criticism of classical liberalism in economics did not result in a "substantial change of the construction of mainstream economics" (p. xix), but stimulated autonomous advances in economic history and sociology. It seems to me that this skeptical appraisal, although confirmed by several of the country studies, does not do justice to the *telos* of the GHS itself, which, in the beginning of the twentieth century, provided deep post-Marxian analyses of modern capitalism in the work of authors such as Georg Simmel, Werner Sombart, and Max Weber, and led later to the comparison of economic systems and to ordoliberalism. For Rudolf Eucken, although against the inductivism of the GHS, in a sense solved the problem of the Historical School by means of his combinatorial use of ideal types. Analyses of economic styles arguably surpassed the present understanding of the varieties of capitalism insofar as links between the economic and cultural forms of social life were discussed extensively.

Initially, the GHS was an outgrowth of German cameralism, elevated to a new level through the confrontation with Smithian liberalism. The country studies show how the reception of the GHS was very diverse and related to different intellectual histories and political constellations in the individual countries, with their traditions of cameralism, mercantilism, and liberalism. Much depended on personal biographies, on whether defenders of the GHS

had studied in Germany or knew German, or whether they had to rely on direct translations or on translations into a language other than their own.

Günther Chaloupek, in his study of Austria, begins with Austrian cameralism, shows how economic historism there had its own roots, treats Carl Menger as an economist with considerable interest in history but opposed to Gustav von Schmoller's "extremism," presents notable Austrian representatives of an approach analogous to that of the GHS, and ends with Joseph Alois Schumpeter, who endeavoured to realize a synthesis of theory and history—an interpretation of Schumpeter's life-work that has been studied by Yuichi Shionoya. The link with cameralism is also emphasized by Jesús Astigarraga and Juan Zabalza (following Ernest Lluch), but the contribution on Spain moves otherwise in a different direction. They discuss historism and the reception of the GHS in Spain in relation to a special ethical tradition, to problems of development causing an interest in Friedrich List, and finally by discussing the emergence of public finance in Spain, in which Adolph Wagner played a major role, in part directly, in part through the American influence of Edwin R. A. Seligman, who had studied with Wagner.

Jean-Pierre Potier, in his contribution on France, confirms that the influence of the GHS was quite limited there, with Louis Wolowski, who translated Wilhelm Roscher, being one of the important exceptions, and with several moderate liberals being interested in the German attempts to mitigate the social question, while most French economists opposed Otto von Bismarck's social policies. Quite a different picture is presented by Guido Erreygers and Maarten Van Dijck, with regard to Belgium, where very significant works were written by Émile L. V. de Laveleye, Henri Pirenne, and others who were more important through their contributions to history than to social policy, but who, nevertheless, helped to question older forms of liberalism. Later developments in Belgium paralleled the rise of the Youngest Historical School in Germany. The tendencies of the GHS are presented as a hidden current in the case of the Netherlands (contribution by Bert Tieben and Evert Schoorl). The ethical concerns of the GHS corresponded here

to Protestant traditions, and the social question in the end had to be confronted as elsewhere. In Italy (contribution by Vitantonio Gioia), the GHS seems mainly to have been discussed by its opponents—liberals like Francesco Ferrara—while Vilfredo Pareto, despite his work in sociology, sneered at it. Only few defenders of the tendency of the GHS remained, although the social policies could not be ignored. These adherents of the Historical School retained more of the classical approach than was the case in Germany. Later, the Youngest Historical School (Sombart, Weber) was not well received for a long time.

Portugal (see the contribution by Almodovar and Cardoso) had, as in Spain, an affinity for the GHS due to cameralist traditions, but the reception was very eclectic. By contrast, the reception was intense and differentiated for at least of some eminent authors in the case of Greece (contribution by Michalis Psalidopoulos and Yorgos Stassinopoulos). The contribution on Turkey by Eyüp Özveren leads to a different camp. He informs about German emigrants who had fled to Turkey in 1933, like Wilhelm Röpke and Fritz Neumark, who both were trying to overcome the Historical School, although its tradition was still felt, for example, in Alexander Rüstow. Sweden (contribution by Benny Carlson) is represented through individual biographies, which confirm that Knut Wicksell and Gustav Cassel were eminent theorists who knew the Historical School quite well on the basis of their studies in Germany, but did not appreciate it. Perhaps it would have been better here to extend the timespan and to discuss Swedish institutionalism (Johan Åkerman, Karl Gunnar Myrdal). Of great interest is the rich contribution on Russia by Vladimir Avtonomov and Georgy Gloveli. The problems of development made Russia an ideal environment for studies, according to the GHS. Here, the importance of the link between, for instance, the special problems of Russian agrarian history and social development are evident, and Marxists and liberals were drawn into the problem. An amazing number of works of the GHS, especially by Sombart, were translated. The last contribution on Bulgaria, by Nikolay Nenovsky and Pencho D. Penchev, also reflects this influence and portrays its effects mainly through biographical sketches.

The book, with its original conception, is likely to become a standard reference, and its work will not easily be duplicated. It ends with concluding remarks by Harald Hagemann, who gives an overview of the Historical School in its various phases, and he then describes its later impact, when its late representatives and other German economists were expelled and went to the United States. But there was also the direct influence of Americans having studied in Germany: this was the case for twenty out of the first twenty-six Presidents of the American Economic Association (of course, they were not all adherents of the GHS). The book, therefore, is to be highly recommended, although it is not easy to read, because one is confronted with the peculiarities of a dozen countries and many economists. Some are eminent, but of most of them one has never heard; they wrote books that are remembered only in national traditions and were involved in quarrels that, fortunately, are over. Yet they together represent an important and still-relevant part of the European heritage.

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### **C Mathematical and Quantitative Methods**

*Prisoners of Reason: Game Theory and Neoliberal Political Economy.* By S. M. Amadae. Cambridge and New York: Cambridge University Press, 2016. Pp. xxix, 333. \$34.99, paper. ISBN 978-1-107-06403-4, cloth; 978-1-107-67119-5, pbk. *JEL 2016-1146*

As I sit in the shade of a French fig tree during the summer of 2016, waiting, seemingly, for the next terrorist attack to be reported, it appears self-evident that a social and political order cannot be secured by the threat of state sanction alone. It requires, in addition, a widespread normative commitment to that order. The force of the argument in S. M. Amadae's book is that game theory has contributed to us forgetting this essential fact. This is an important argument and it is central to the book.

Game theory, it suggests, has played a crucial role in the shift from classical liberalism to neoliberalism, where what distinguishes the two

variants of liberalism is whether one assumes that people are “naturally” constrained to follow the rules they have agreed to or find “just”/legitimate. Classical liberalism assumes this and neoliberalism does not. As a result, neoliberal theory thinks only of sanctions and deterrence to sustain a social order in the face of ubiquitous forms of the prisoner’s dilemma.

The first part of the book is about war, and this shift within liberalism explains why the problem of international security is perceived as a prisoner’s dilemma, rather than an assurance or stag-hunt game. This shift is also what distinguishes, in the second part of the book on government, Thomas Hobbes’s account of the creation of the State out of anarchy from David Gauthier’s and James Buchanan’s. The problem of national order, like that of international order, is, as a result, crystalized as prisoner’s dilemma rather than a stag-hunt game. The argument in war follows closely the deterrence debate from MAD (mutually assured destruction) to NUTs (nuclear utilization theory) and, that on Government, the work of Hobbes, Gauthier, and Buchanan. There are interesting further chapters in the latter on Buchanan and Posner as exemplars of the neoliberal and on collective action. These focus on different views of consent, the idea of wealth maximization as justice and Olson’s work on collective action.

The third part is on evolution. Its main purpose is to show how extensive is the use of game theory. In its evolutionary guise, it complements the earlier discussion of nation state and individual behaviors through the analysis of the selfish gene and the possible emergence of reciprocally cooperative behaviors in a repeated evolutionary setting.

The book is liable to irritate game theorists. Some of this will be understandable because of what Amadae says about game theory. She seems, for instance, to make game theory fixated on zero-sum interactions.

Lester Thurow’s *Zero Sum Society* articulates the worry that auspicious rates of economic growth permitting positive-sum gain are no longer feasible, and that profiting from undermining others offers the only currently available means to profit. Game theory’s formation

to reflect the laws of thermodynamics supports this hypothesis, and it describes action consistent with relentless competition strictly limited by scarcity (p. 241).

This occurs because of what she attributes to the distinct (from neoclassical economics) strategic rationality found in game theory.

... most operationalized game theory also relies on an expected utility metric that represents not only an ontologically salient feature of the decision environment, but also a scarce, commonly sought after, interpersonally transferable feature such as nutritional calories, energy or cash value (pp. 59–60).

... orthodox game theory does not admit as rational the type of agency characterizing classical liberalism or neoclassical economics. Both of these characteristic agents voluntarily constrain their action to be consistent with an internalised Pareto condition... (p. 47).

Game theorists will complain that “utility” is not interpersonally transferable in this way and that “zero-sum” interactions are but a small part of game theory. They will also be surprised to hear that strategic rationality is in important respects different from that found in neoclassical economics, or that their strategically rational agents cannot internalize a rule like Pareto or some other social preference to constrain their actions. But would they be right to be irritated about the key message of this book: that game theory has contributed to the erosion of the normative order that supports a liberal society?

I think not. I would not make it one that is linked to the tenets of game theory in the way of Amadae. I would rely more on the practice of teaching game theory. When, for example, was the last time in teaching the prisoner’s dilemma, you pointed out how defecting when the other person cooperates transgresses the liberal no-harm principle for the exercise of individual freedom? This may not seem relevant in international relations, but is it not important when discussing interactions in self-consciously liberal societies?

Of course, one may wonder whether it is our responsibility as academic economists to make

this point. The issue, however, is really that silence on such matters is not part of game theory per se. It is a choice, and the question is: how is that choice made and are we happy with it? My suspicion is that the choice is not consciously made most of the time; and it is mainly overlooked because economics has become divorced (with the aid of some cod-methodologies) from politics. Whatever the reason, Amadae is right to suggest that teaching game theory is not neutral in its effects.

Amadae has some suggestions about what should be done. In the last chapter on Pax Americana, she offers, among others, Abraham Maslow on the hierarchy of human needs and the importance of the participatory dimension of democracy. She also returns to a frequent theme that she is right to remind us about. Economists, following Lionel Robbins's famous encapsulation, do too often think of economic/social interactions as only involving choices over how to use scarce resources. As a result, individual choices use up resources in different degrees. But we know that many social resources like friendship are not like that. When we engage social capital of this kind in what we do, it usually does not get depleted. It grows.

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*Agent-Based Computational Economics: How the Idea Originated and Where It Is Going.* By Shu-Heng Chen. Routledge Advances in Experimental and Computable Economics, vol. 8. London and New York: Taylor and Francis, Routledge, 2016. Pp. xx, 507. ISBN 978-0-415-61488-7, cloth; 978-1-315-73442-2, e-book.  
JEL 2016-1145

*Agent-based computational economics* (ACE) is the computational modeling of economic processes (including whole economies) as open-ended dynamic systems of interacting agents (Tesfatsion 2016a). In this book, author Shu-Heng Chen—an important pioneering contributor to the development of ACE—undertakes a detailed exposition of the ACE modeling approach that focuses on two fundamental questions. First, what is ACE? Second, to what extent is ACE useful, or even necessary, for understanding economic processes?

Previous introductory ACE writings (Tesfatsion 2016b) have typically been tailored for general readers interested in obtaining a basic understanding of the methodology. In contrast, Chen's book is a meticulous scholarly study that should be of particular interest to economists with a good analytical background, a broad acquaintance with economic research, a strong interest in empirically grounded economic modeling, and a willingness to consider alternative viewpoints with an open mind.

Part 1 of the book begins (chapter 1) with a broad outline of intended topic coverage. Chapter 2 reviews the historical development of a “new discipline across the social sciences,” referred to as *computational social science* (CSS), and discusses the role of agent-based modeling within CSS. Part 2 (chapters 3–6) attributes the origins of ACE to four distinct sources: market analysis; cellular automata research; game and tournament studies; and experimental economics. The discussion of each source is accompanied by examples, thought-provoking discussion, and references for further study.

The design of decision-making ACE agents is addressed in part 3, with a stress on empirical grounding. Chapter 7 surveys research exploring how data obtained from human-subject experiments might be used to calibrate the decision rules of computational agents. Seminal “zero-intelligence agent” research exploring the relative impact of intelligence versus institutional structure in double auction experiments is reviewed in chapters 8–9.

Part 4 considers the ability of ACE agents with learning capabilities to adapt their behaviors to changing environments. Chapter 10 reviews work incorporating reinforcement learning algorithms. Chapter 11 considers “fuzzy” learning algorithms based on closeness (similarity) metrics rather than on probability metrics. Artificial neural network (ANN) learning algorithms are reviewed in chapter 12; ANN learning with multiple hidden layers is an important form of “deep learning” currently being explored as a way to extract information from Big Data. Evolutionary learning algorithms (in particular genetic programming) permitting continual exploration and assessment of new ideas are discussed in chapter 13.

Agent-based financial-market research is highlighted in part 5. The connections between ACE and evolutionary economics are clarified in chapters 14–15, using illustrative financial market studies. Chapter 16 considers ACE financial research in relation to financial “stylized facts” in order to clarify and discuss empirical validation issues.

Part 6 (chapters 17–21) returns to the connection between ACE and experimental economics, discussing and illustrating the ability of ACE agents to display intelligence, cognitive ability, and personality. Part 7 (chapter 22) and part 8 (chapter 23) provide abbreviated discussions of two fundamentally important issues for ACE modelers: the formation and evolution of agent interaction networks; and the modeling of innovation, with a stress on the “modularity” modeling approach pioneered by Chen and his collaborators. An epilogue (chapter 24) concludes.

The only major criticism I have of Chen’s book is that the key question he raises in part 1, “what is ACE,” is not answered in a concise, straightforward manner. Various real-world features that ACE models can incorporate are identified. However, while interesting and helpful, this does not permit a clear understanding of the principles underlying ACE modeling that distinguish it from other modeling methodologies.

Below are seven basic ACE modeling principles (Tesfatsion 2016a) that reflect the fundamental goal of many agent-based modelers: namely, to study real-world dynamic systems as historical processes unfolding through time, driven solely by their own internal dynamics.

- *Agent Definition:* An *agent* is a software entity within a computationally constructed world capable of acting over time on the basis of its own *state*, i.e., its own internal data, attributes, and methods.
- *Agent Scope:* Agents can represent individuals, social groupings, institutions, biological entities, and/or physical entities.
- *Agent Local Constructivity:* The decision-making process undertaken by a decision-making agent at any given time must be entirely expressible as a function of the agent’s state at that time.

- *Agent Autonomy:* Coordination of agent interactions over time cannot be externally imposed by means of free-floating cross-sectional or intertemporal restrictions, that is, by means of modeler-imposed restrictions that are not embodied within agent states.
- *System Constructivity:* The state of the modeled system at any given time consists of the collection of agent states at that time.
- *System Historicity:* Given initial agent states, all subsequent outcomes in the modeled system are determined solely by agent interactions.
- *Modeler as Culture-Dish Experimenter:* The role of the modeler is limited to the setting of initial agent states and to the non-perturbational observation of model outcomes.

Together, these principles embody the idea that ACE models are computational laboratories permitting users to explore how changes in initial conditions affect outcomes in modeled economic systems over time. This exploration process is analogous to biological experimentation with cultures in petri dishes. A user sets initial conditions for the modeled system in accordance with some purpose at hand. The “cover” is then closed, and the modeled system thereafter runs forward through time as a virtual world whose dynamics are entirely determined by the interactions of its constituent agents.

A careful exposition of these ACE modeling principles in part 1 of his book would have helped Chen to buttress his claim that ACE modeling provides a useful *complement* to currently prevalent economic modeling approaches. The latter approaches typically involve the external imposition of equilibrium conditions as *a priori* restrictions on agent interactions, which hinders the study of real-world economic processes as open-ended dynamic processes displaying continual endogenous change.

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## E Macroeconomics and Monetary Economics

*The Seven Secrets of Germany: Economic Resilience in an Era of Global Turbulence.* By David B. Audretsch and Erik E. Lehmann. Oxford and New York: Oxford University Press, 2016. Pp. xi, 229. \$34.95. ISBN 978-0-19-025869-6, cloth. JEL 2016-0604

David Audretsch and Erik Lehmann have researched the dynamics of small- and medium-sized enterprises (SMEs) for many years, especially in the US–German context. In their timely, well-documented and scholarly work, they explain why recent economic performance in Germany has been so remarkable, why the country escaped the Great Recession virtually unscathed, and why it is well-poised to tackle challenges of globalization and digitization of economic life. They link the country's success to “seven secrets”—factors enabling Germany to fight above its weight in the world of the twenty-first century—and do so in a highly entertaining way.

Interest in Germany's economic performance since reunification is unabated and justified. Despite unfavorable demographics, the country has kept pace with the United States since the Great Recession, and has outperformed most of Europe in the same period. Beyond its striking emergence from the status of Europe's sick man in the early 2000s, Germany has built on its successes and defended of its share of global markets in the face of stiff competition. It has doubled its share of exports to 50 percent of GDP since the 1990s, with an oversized trade surplus, declining unit labor costs, and a healthy labor market, cutting its unemployment rate in half over a decade while raising labor force participation by double digits.

The book is structured along “seven secrets” and is written in a reader-friendly style (although the endnotes at the end of the book are a nuisance at times). The first two chapters are about smallness, education, and teamwork. In chapter 2, “Small is Beautiful” the authors stress Germany's large stock of agile, medium-sized, family-owned companies with world-class products. These firms belong to individuals and families with significant skin in the game, a willingness to listen to workers' ideas, and a long-term plan for the future.

Low turnover in German SMEs is striking, when compared with US companies, and gift exchange between management and employees is evident from low sick days and absenteeism. Chapter 3, “Poets and Thinkers” reconciles mediocre Programme for International Student Assessment (PISA) scores with its vaunted skilled labor force that drives its export successes. The authors stress the role of teamwork, rather than the upper tail of the skill distribution. Like the 2014 World Cup soccer team, it was not the exceptional players (of which there were few), but rather a low variance of skills and coordination that were decisive. A romantic yet practical philosophy steers children into either tracks of excellent vocational training or university after grade school, while still permitting mobility between the two. In 2002, Germany implemented its own version of the Bayh–Dole Act of 1980, giving universities rights to the fruits of their research and development efforts and redoubled its efforts at the same time. A network of publicly funded research institutes are tasked with generating both basic research and marketable applications.

Chapters 4–6 identify features of German society that drive recent economic dynamism. According to chapter 4, it is all about “Roots and Wings,” following Goethe's dictum that parents provide their children with grounding, as well as the mobility to excel. Part of this formula is the decentralization of government—imposed on it after the Second World War—combined with openness to mobility and a quantum leap in English-language proficiency. The competitive local policies of local and state governments, or *Standortpolitik*, are decisive for creating the right conditions for small- and medium-sized firms. Chapter 5 (“Infrastructure”) examines what Audretsch and Lehmann call “passing beauty to the next generation”—bequeathing physical and institutional structures that organize German economic life. Chapter 6 (“Laptops and Lederhosen”) highlights an unexpectedly dynamic flexibility, despite apparent static inflexibility at any point in time, and points to labor market and other reforms. The authors also bravely take on two elusive and controversial concepts central to the German model. *Ordnungspolitik* is a commitment to the social-market economy, combining rule of law, robust antitrust policy,

and sustainable governance with healthy participation of all segments of society. *Strukturpolitik* means that government assists local agglomerations in dealing with difficult market outcomes. Well-chosen examples show how these policy frameworks create the right humus for Germany's SMEs to thrive.

Finally, the last two chapters are about Germany's identity and place in the world. "Made in Germany," discusses its reputation for products and services of high and consistent quality. The authors take issue with scholars who dismiss the importance of manufacturing in advanced economies. Germany continues to exploit manufacturing as an engine of innovation by substituting value for quantity to overcome the drag of high labor costs. Finally, chapter 8, "It's good to be German" is about combining modesty with newly discovered assertiveness. Its title implies that Germans want to feel comfortable with self-assured pride and patriotism in what they do, despite transgressions of the past. In light of the migration crisis, the authors are remarkably prescient about Germany's new role in Europe compared with France, Italy, or the United Kingdom, even while sometimes leading like an elephant in a china shop. Germany had the economic stamina to admit upwards of one million refugees in 2015–16, but handled recent crises with its European neighbors badly, and may have inadvertently caused the Brexit vote in June 2016.

The seven secrets—the smallness and nimbleness of companies, the quality of labor force, the durable strength of infrastructure, its flexibility despite a categorical imperative for order, its product quality and reputation, and its new pride and identity—are correctly calibrated on key features of the country's labor market. Germany's agility in light of technological and world trade opportunities has been no less than stunning, especially compared to other European economies. A common theme is a corporatist model based on longer-term profit calculations by local parties with skin in the game. The presence of unions, women, and other stakeholders in supervisory boards generate a friction that frees management from quarter-to-quarter short-termism to focus on longer-term objectives.

Flexible and employment-friendly wage setting, outsourcing and offshoring, just-in-time

manufacturing, agile business connections, and timely labor-market reforms are certainly important ingredients for German success; but plain good luck also played a role. Germany produces what the world needs: custom-built machines and high-end consumer goods the demand for which boomed right through the Great Recession. Yet emerging market economies will not grow faster forever and are not immune from the business cycle. This is one of several potential blind spots of the German model.

Similarly, corporatism is a two-edged sword. It played a central role in Germany's concerted wage-moderation policy since the mid-1990s, with companies negotiating wage concessions with unions or, when unions were absent, works councils, in exchange for fewer layoffs. Yet wage moderation continued long after the unemployment rate fell in Germany. With unemployment at record lows, wage growth should have kicked in and taken the edge off of German über-competitiveness, but did not. It is difficult to reconcile Germany's high-tech image with a continued presence of many low-wage segments today. It took a minimum-wage law in 2015 to raise wages in the lowest deciles—and 85 percent of Germans favored it, too.

Despite its wealth of anecdotes and a consistent story, the book leaves several questions unanswered. Are hidden *Mittelstand* champions a product of specialization, universal and accessible education, world-class infrastructure, or rule of law? Low turnover in its SMEs is the outcome of a complex selection process and it would be instructive to compare turnover controlling for age, ownership structure, and size. More fundamentally, is small sustainable? Will entry of new companies continue to replace the postwar successes as owners retire? Are high equity-to-asset ratios of German *Mittelstand* companies the result of meddlesome house banks, or simply a high savings rate? Why is market-based equity finance still immensely unpopular in Germany? Will the model of incremental change and process improvement continue to score against the rest of the world in a digital age? One elephant in the room is the fact that Germany's largest firms are much older than their US counterparts. Gift exchange and low absenteeism in German SMEs may signal a deeper lack of dynamism that may

come back to haunt them, should markets sustain a larger, more systemic shock. The German success story is context-dependent and might look different in light of a dissolving Eurozone or a Euro exit. A 30–50 percent appreciation of a new deutschmark would pose a serious challenge to the survival of the SME model in increasingly complex international value-added chains.

This is an interesting and readable book. Its tone may be too enthusiastic for some readers and is prone to hyperbole at times. But the authors make effective use of an eclectic mixture of academic literature, case studies, and interviews to make their case. They are circumspect enough to opine that the Germans may not have a recipe for all of Europe's problems. Institutions, customs, tradition, and reputation are so complementary that not a single secret, but a special mix of all seven, is required for success. *The Seven Secrets of Germany* brings many important truths about Germany to print, and not at all too soon.

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## H Public Economics

*War by Other Means: Geoeconomics and Statecraft.* By Robert D. Blackwill and Jennifer M. Harris. Council on Foreign Relations series. Cambridge and London: Harvard University Press, Belknap Press, 2016. Pp. viii, 366. \$29.95. ISBN 978–0–674–73721–1, cloth.

JEL 2016–1284

In *War by Other Means: Geoeconomics and Statecraft*, Robert Blackwill and Jennifer Harris argue that governments' international economic policies and foreign policies are increasingly growing inseparable in global politics. Their analysis focuses on the "the use of economic instruments. . . to produce beneficial geopolitical results" via a concept they refer to as "geoeconomics" (pp. 20–21). The book seeks to explain how governments can leverage economic policies and instruments as critical tools in advancing their foreign policy agendas. The authors argue that, increasingly, the regimes of Russia and China are employing foreign policies that rely heavily on geoeconomic strategies, and that the United States has lagged far behind. The

book's concluding section lays out an ambitious policy agenda for how US policymakers can more effectively leverage economic instruments of statecraft. This book is a valuable guide for students and policymakers on the use of economic statecraft and is chock-full of ideas for the next US presidential administration on how to employ economic instruments of statecraft more effectively.

Blackwill and Harris's book boldly claims that international power is increasingly defined and exercised within the economic realm, instead of on the battlefield. The authors argue that while nations have historically relied on economic instruments and policies to promote their foreign policy interests, the current use and power of those tools is unprecedented. Blackwill and Harris (p. 49) identify seven major economic instruments that contemporary states rely on to advance their geopolitical interests: "trade policy, investment policy, economic and financial sanctions, cyber, aid, financial and monetary policy, and energy and commodities." They go on to identify four major geoeconomic "endowments" that empower states to effectively draw upon these economic instruments. These include an ability to control outbound investment, the size and growth rate of countries' economies and their governments' capacity to intervene in them, influence over commodity and energy flows, and centrality to the global financial system. The authors explain how these endowments offer governments specific leverage in using particular economic instruments. In supporting their arguments, the authors rely on historical anecdotes and case studies on the United States and China to demonstrate how leaders have used economic instruments to enhance their states' international power and influence.

The authors provide an excellent analysis of how the Chinese government has successfully leveraged geoeconomic strategies within its foreign policy. Their analysis details how the Chinese government has integrated economic policies into its foreign policy strategies in dealing with Taiwan, North Korea, Japan, South Asia, and the United States. Blackwill and Harris demonstrate how the Chinese government has effectively leveraged its growing economic markets, the control it wields over Chinese companies and banks, its currency

policy, and its foreign aid practices in furthering its foreign policy prerogatives. Interestingly, the authors highlight how China's government has sought to use its economic policies to manipulate specific constituencies in foreign countries. The authors show that an underlying political calculus appears to drive China's foreign aid, trade, and investment policies and that China's leadership is frequently willing to make trade-offs in the commercial benefits of deals in return for political gains. According to the authors' analysis, China is an exemplar for how a government can effectively leverage geoeconomic strategies.

If China is the modern leader in employing geoeconomic strategies, then the United States is the laggard. Blackwill and Harris explain how, in the past, the US Government has relied heavily on geoeconomic strategies in pursuit of its foreign policy strategies, but that under recent presidential administrations, US economic policies and US foreign policies have become siloed from one another. The authors argue that the United States has a great deal of underutilized potential in employing geoeconomic strategies—both to promote gains in US foreign policy and to prevent the erosion of US global influence to other global players, like China and Russia, who are relying heavily on those strategies. The authors provide a sweeping analysis of how the US government's use of geoeconomic strategies can be improved, including a list of twenty-one specific policy ideas.

There are some shortcomings to this book. The authors invest significant effort in trying to coin the term “geoeconomics” when their arguments have little to do with geography and are not even confined to geopolitics (p. 68). Indeed, the authors note that: “Geoeconomics, in our view, is about providing a parallel account of how a state builds and exercises power by reference to economic factors rather than geographic ones” (p. 24). The authors would likely have been better served by relying on existing concepts (i.e., economic statecraft) to frame their arguments. And while this book is laden with ideas, it largely relies on anecdotes, as opposed to systematic analyses, in supporting them. The case studies are oriented more towards illustrating the implications of their arguments, rather than assessing their underlying merit. Many of the policy ideas listed in the twenty-one-point policy agenda for

US policymakers are not even really anchored to the preceding analyses. The book seems torn between trying to develop arguments that will gain traction with scholarly audiences versus providing a policy primer for the next presidential administration.

Blackwill and Harris definitely succeed in making the case that economic instruments of statecraft are playing an increasingly important role in global politics. The book represents a useful primer for audiences unfamiliar with economic statecraft, and the authors' analysis of China's approach towards using economic statecraft warrants careful reading by both scholars and practitioners interested in Chinese foreign policy. While the authors potentially paint an overly bleak picture of how far the US government lags behind other countries in its use of geoeconomic strategies, a large number of their recommendations warrant serious consideration. This book is thus highly relevant to those seeking to understand how foreign policy and economic issues intermix in contemporary global politics.

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*Too Little, Too Late: The Quest to Resolve Sovereign Debt Crises.* Edited by Martin Guzman, José Antonio Ocampo, and Joseph E. Stiglitz. Initiative for Policy Dialogue series. New York and Chichester: Columbia University Press, 2016. Pp. viii, 284. \$70.00, cloth; \$69.99, e-book. ISBN 978-0-231-17926-3, cloth; 978-0-231-54202-9, e-book.

*JEL 2016-1839*

Sovereign-debt crises can severely damage the economic prospects of affected economies. During the global financial crisis, governments intervened to rescue distressed banks. The resulting bank bailouts imposed strains on the public finances. Continued poor macroeconomic performance placed the public finances under further stress, leading to several sovereign-debt crises of varying severity (Correa and Sapirza 2015). Notable examples of such crises include Ireland, Greece, Spain, Portugal, and Cyprus, where restructuring of sovereign-debt has been necessary in order to avoid bankruptcy and wider social and political externalities.

Sovereign-debt restructuring is far from straightforward. Protracted negotiations between debtors and creditors can lead to long delays in reaching workable agreements. Indebted economies fail to recover, placing further pressure on ailing public finances, and in some cases necessitating further restructuring. *Too Little Too Late: The Quest to Resolve Sovereign Debt Crises*, edited by Martin Guzman, José Antonio Ocampo, and Joseph E. Stiglitz, addresses the shortfalls in current approaches to sovereign-debt restructuring and argues that improvements in debt restructuring would allow for the efficient functioning of sovereign-debt markets and provide a sustainable growth path for recovering economies.

The basic contention is that current approaches to restructuring debts of distressed sovereigns are inadequate. Official assistance, via lending from the International Monetary Fund and other international organizations allows distressed sovereigns to meet short-term financial obligations. However, such lending is often conditional on the imposition of tough austerity measures. In the medium-term, such arrangements damage the economic prospects of the indebted sovereign, as the accompanying uncertainty leads to a reduction in investment and, in some cases, the exit of valuable assets.

In contrast to corporate and personal bankruptcy, there is no international sovereign-bankruptcy framework in place to enable orderly and timely debt restructuring. Rather, restructuring takes place via a market-based process and involves many different types of creditors operating across many legal jurisdictions. The shift of sovereign debt from banks to capital markets has increased the number and diversity of creditors. This is compounded by the emergence of so-called “vulture funds,” which purchase government debt at a large discount and then hold this debt, while suing the distressed sovereign for full repayment. Furthermore, the growth and opacity of the sovereign-credit default-swap market makes it difficult to discern the objectives of creditors in any debt restructuring negotiations. This leads to delays and increases the probability of unsatisfactory outcomes to sovereign-debt negotiations.

Reforms to the language of debt contracts and the voting systems employed to vote on a given

debt restructuring proposal have been proposed by the International Capital Markets Association, among others. To some extent, these are seen as welcome but perhaps simplistic, limited in scope, and unlikely to be of use unless accompanied by reforms to regulations surrounding the purchase of sovereign debt. Specifically, prohibitions should be placed on “vulture funds.” Moreover, the opacity of the sovereign-credit default swap market and creditors should be required to disclose holding of sovereign-credit default swap contracts during debt restructuring negotiations.

Throughout the book, it is argued that such private-sector reforms are unlikely to be enough, and instead there is a need for multinational statutory arrangements that not only recognize the rights of creditors and sovereigns, but also the importance of the relationship between sovereign states and their citizens. One option discussed is international legislation enforced by an international bankruptcy court. However, this would be difficult to organize in such a way as to satisfy the concerns of distressed sovereigns and creditors. Instead, the book calls for a so-called “soft-law” approach that might involve a committee to oversee and mediate sovereign-debt restructuring negotiations. This would not resolve all of the shortfalls of the current arrangements for sovereign-debt restructuring, but would at least be an improvement. The passing of the UN Resolution on Basic Principles on Sovereign Debt Restructuring (in September 2015) represents an important step forward in this direction, but falls far short of a multinational legislative framework.

The book comprises fifteen chapters written by economists, lawyers, and industry practitioners. It is an excellent source of material for academics, practitioners, and policy makers. The coherent economic and legal foundations allow the reader to grapple with historical and contemporary issues so as to understand the complexities involved in sovereign-debt restructuring. The breadth and depth of coverage is impressive. In part 1 of the book, three chapters provide an overview of general issues related to sovereign-debt restructuring. The discussion includes an introduction to the goals of debt restructuring and some of the challenges arising from shortfalls in the current system for sovereign-debt restructuring. As such, this part of the book is

particularly useful to those new to sovereign-debt restructuring. Part 2 contains two in-depth case studies of Argentina and Greece, which aptly illustrate many of the issues identified in part 1 of the book. Parts 3 and 4 are especially useful to readers more familiar with sovereign-debt crises and restructuring. Here, the reader is treated to a raft of ideas and proposals to improve the current contractual approaches to debt restructuring and proposals for a multinational framework for debt restructuring. An especially useful chapter (chapter 10), written by Jose Antonio Ocampo, provides an excellent discussion of the evolution of sovereign-debt resolution.

It is clear that there are many opportunities for the arguments and proposals set out by the contributors to *Too Little Too Late: The Quest to Resolve Sovereign Debt Crises* to make a significant contribution to our understanding of sovereign-debt restructuring, and are of direct relevance to ongoing debates in this area. Practitioners and policy makers may question, and in many cases disagree with some of the contentions, but would nevertheless do well to read the contents of this book carefully.

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### I Health, Education, and Welfare

*150 Years of ObamaCare*. By Daniel E. Dawes. Foreword by David Satcher. Baltimore: Johns Hopkins University Press, 2016. Pp. xix, 286. \$26.95, cloth. ISBN 978-1-4214-1963-3, cloth; 978-1-4214-1964-0, e-book.

JEL 2016-1293

*150 Years of ObamaCare*, by Daniel E. Dawes, traces the history of efforts to address health disparities from the postbellum Freedman's Bureau to "health equity" advocacy during the passage of the 2010 Affordable Care Act (ACA). Its major, and perhaps unintended, theme is that it has always been difficult to pass legislation in the

United States that targets health disparities, particularly along racial or ethnic lines. The ACA is no different. Despite the work of health equity advocates, it contains only weak provisions meant specifically to reduce certain disparities in health and health care.

The first section of the book recounts attempts throughout history to increase public funding for mental health care, address de jure racial discrimination in health care, improve the health of racial minority groups, and provide universal public insurance. The history is better told elsewhere (cf. Starr 1982), but the book does a fair job of outlining the challenges faced by such reformers.<sup>1</sup> The Freedmen's Bureau provided care to freed slaves, but only operated for seven years. The Hill-Burton Act of 1946 funded new hospital construction, but allowed them to remain racially segregated. After the 1964 Civil Rights Act, public actions to address racial health disparities were comparatively minor, such as small appropriations to train minority health workers. Dawes shows that throughout the 1980s and 1990s, federal action on health disparities centered more on gathering information than on well-funded reforms.

The book's most original contribution is a firsthand account of "health equity" advocacy in negotiations over the ACA. In Spring 2009, a coalition of 250 provider groups, think tanks, and advocates came together to lobby for provisions into the ACA that addressed "disparities in health in various communities and populations throughout the United States." They cajoled Congressional staff, marshalled grassroots email campaigns, and organized public events documenting the extent and costs of disparities. Other descriptions of this period emphasize the White House's focus on bringing together providers, drug and device makers, and insurance companies to agree on policies about coverage, subsidies, regulations, and revenues (Brill 2015). In documenting the challenges that health equity advocates faced in getting a "spot at the table," the book reflects

<sup>1</sup>For example, the book attributes to Harry Truman an expansion in the federal government's financing of health care for the elderly poor passed by Dwight Eisenhower and refers to it as Old Age Assistance, a program authorized by Franklin Roosevelt (p. 61).

the fact that industry, rather than patient, voices played the dominant role.

Ultimately, the ACA did include specific provisions on health disparities, but they were by no means the crux of the law. The final legislation grants bureaucratic promotions to several offices and centers for research on minority health; Health and Human Services issued new guidelines on measuring race, ethnicity, and language ability in its surveys;<sup>2</sup> and new “action plans” and health targets were published. The sections that matter most for health equity are the so-called “three-legged stool”: the individual mandate, non-group market regulations, and health insurance subsidies (including Medicaid). These core policies were the result of negotiations with industry groups, not the advocacy chronicled in this book.

*150 Years of Obamacare* will be of greatest interest to readers already familiar with the history of the ACA, but not the role of health equity advocates. Moreover, there is a historical continuity in the last 150 years of health disparities advocacy, but not the one this book claims. Much public medical care throughout American history has had an “investment value” to the government. Merchant seamen received care in the 1790s to limit the spread of infection and facilitate commerce. Military health care maintains soldiers’ ability to serve. Native Americans received inoculations against smallpox to make it safer for the military to dispossess them (Bloch-Rubin 2016). The ACA allocates few resources to combat health disparities directly, but significant resources to remove potentially costly, low-income groups from the risk pools covered by private insurers. Therefore, continuing a long tradition in American health policy, disparities will be affected to the extent that their reduction serves other purposes.

<sup>2</sup>Dawes claims that HHS was “now collecting demographic data in federal surveys” (p. 220), when it merely advocated for more detailed measures in long-standing datasets such as the National Health Interview Survey (NHIS). Since these datasets are relatively small, the ability to cut samples more finely will likely lead to noisy new estimates of national-level disparities. The 2014 NHIS, for example, contains 7,403 respondents who self-identify as “Asian,” which, under the new guidelines, could be split into seven groups: Asian Indian, Chinese, Filipino, Japanese, Korean, Vietnamese and “Other Asian.”

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## J Labor and Demographic Economics

*Coming of Age in the Other America*. By Stefanie DeLuca, Susan Clampet-Lundquist, and Kathryn Edin. New York: Russell Sage Foundation, 2016. Pp. xx, 298. \$35.00. ISBN 978-0-87154-465-0, pbk.; 978-1-610-44858-1, e-book. *JEL* 2016–1879

In *Coming of Age in the Other America*, Stefanie DeLuca, Susan Clampet-Lundquist, and Kathryn Edin offer the reader an opportunity to observe, in great detail, the socioeconomic and institutional factors that influence the lives of disadvantaged individuals making the transition from childhood to early adulthood. The authors describe the aspirations, achievements, and struggles of a group of young individuals from the projects in Baltimore, collected from repeated interviews over more than a decade. The book is rich in its descriptions of the neighborhoods and family environments that surrounded these young individuals as they prepared for their adult lives, making it easy for the reader to understand their struggles and become empathetic toward them. While the transition from youth to early adulthood is not a new topic in the literature, little attention has been given to the youths from the most disadvantaged neighborhoods in the country. One contribution of the book is to ask whether patterns observed in middle-class individuals moving from youth to early adulthood also apply to the more disadvantaged. Not surprisingly, the answer is no. However, the authors go beyond in understanding the reasons.

This book is a good complement for labor economists interested in inequality, neighborhood poverty, education, crime, as well as peer and network effects. Economic researchers

interested in social-program evaluation, such as the well-known *Move to Opportunity*, might also find this book a good source of information. The authors are well informed of the relevant and contemporaneous work that economists have done in the area, making it easy to connect their work to the current economics literature.

The authors start by posing what seems to be the main claim of the book: that family, peer, and neighborhood effects are crucial to the success of these youths in moving out of poverty. The argument is that exposure to better role models in the neighborhood, as a result of voluntary or involuntary change of neighborhood, influences the youth's and parent's behavior positively. The book then moves to present examples that illustrate how disadvantaged youths who found an activity that ignited their passion were less prone to ending up in "the streets." These activities, denoted by the authors as "identity projects" in chapter 3, appear to be more effective when they are linked to institutions, leaving room for policy interventions, but can be as simple as do-it-yourself projects in their own backyards. In the same spirit, the authors also present examples that illustrate how disadvantaged youths are more prone to end up in the streets when they lack an identity project. The absence of such a project, combined with trauma from early childhood experiences, exposure to poor neighborhoods, and low quality of schools, made youths more vulnerable to the temptations of the streets. Even though most economists would need more than this comparison to argue for or against policy intervention here, the arguments presented could be helpful to inform or inspire research in the area.

While identity projects are key in keeping youths out of the streets, they are not enough to boost them to pursue or finish postsecondary education. The first argument the authors venture in chapter 5 goes back to the role of family and neighborhood disadvantages. In addition to financial barriers, the youths are repeatedly exposed to poor performance from their family members, which makes high-school graduation and staying "off the streets" a significant achievement. Similarly, high levels of violence in the neighborhoods seem to lead the youths to have downward-biased estimates of life expectancy, which effectively makes them more impatient

and turns a four-year college into a luxury they cannot afford. The second argument the authors present, in chapter 6, is related to the institutional failure in helping these youths to make a smooth transition from high school to college. Many of these youths do not have adequate counseling because high-school counselors mostly focus on discussing four-year colleges, and little on community or for-profit colleges. This omission is crucial, because many of these youths choose the path of for-profit colleges. Unfortunately, many drop out before finishing the program because the academic programs offered do not meet the youths' expectations and preferences. As a result, they are left with a large debt from student loans and a negligible increase in skills. Better counseling, in terms of what these for-profit colleges offer and their *modus operandi*, would certainly be beneficial to disadvantaged youth.

The book finishes in chapter 7 with some policy recommendations that include: (1) helping students find an identity project that would keep them out of the streets, (2) improving the counseling given to these students at the time of choosing postsecondary education, and (3) providing families with opportunities to move to better neighborhoods. Some of these policy recommendations should be considered by economists interested in these topics, and perhaps suggest research projects that can help inform policy makers about the feasibility and effectiveness of these recommendations.

The main contribution of this book is to provide a rich and detailed description of the mechanisms behind success and failure in getting out of poverty that is lost when we work with large data sets that impose uniformity in the variables and samples we observe. Some of the arguments presented by the authors lack the rigor familiar to economists, as they are based on endogenous outcomes. Nonetheless, the door is open for a much needed discussion of the topic. The introduction and description of identity projects in chapter 3 is particularly interesting, as well as the discussion of postsecondary educational choices of the youth presented in chapter 6. Overall, the book presents a well-crafted combination of authors' narrative and youth interviews that engages the reader with its insight.

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## Q Agricultural and Natural Resource Economics • Environmental and Ecological Economics

*Food Security and Scarcity: Why Ending Hunger Is So Hard.* By C. Peter Timmer. Philadelphia: University of Pennsylvania Press, 2015. Pp. xii, 213. \$59.95, cloth; \$59.95, e-book. ISBN 978-0-8122-4666-7, cloth. *JEL 2016-0431*

The objective of this book is to analyze, in a very comprehensive way, the multidimensional nature of food security and scarcity at all levels, ranging from a global macro perspective to a micro household perspective. The main message that resonates throughout the volume is that, in order to improve food security and reduce hunger, “markets and governments need to work together around an agenda of pro-poor growth, agricultural development and stable economies” (p. 161). While markets provide crucial information to food producers and consumers, they can leave many households in poverty. The role of governments is to mitigate the possible negative outcomes of markets on income distribution, poverty, and human development.

Peter Timmer makes a very strong and convincing case that the structural transformation is the pathway to food security. Structural transformation involves four main features: a falling share of agriculture in economic output and employment; a rising share of urban economic activity in industry and modern services; migration of rural workers to urban settings; and a demographic transition (p. 75). A successful structural transformation requires that workers moving out of agriculture find more productive employment opportunities outside of agriculture. Historical evidence, particularly from East and Southeast Asia, has taught us that major investments need to be made in the agricultural sector itself at an early stage of development to trigger the growth and development process and to generate the agricultural surplus to fund the incipient industrial sector. Agricultural productivity has to rise in order for the gap in labor productivity between agriculture and nonagriculture to be reduced and ultimately closed.

The architecture of this volume is built largely around these two pillars of (1) reliance on markets; and (2) policy measures and institutions

at the micro and macro levels, correcting for missing markets and socially undesirable outcomes of unfettered markets. The result is a wonderfully transparent, consistent, and comprehensive analysis of the anatomy of food security and scarcity. I would expect that this book would become the definitive treatment of these issues for years to come. Its great strength lies, among others, in being highly readable and expressed in relatively nontechnical (yet rigorous) terms accessible to educated laymen.

In the process of identifying an inclusive development strategy to help resolve the food scarcity and hunger problem, Timmer addresses and analyzes a multitude of relevant questions. A limited review of this type cannot do justice to the richness of the analysis and the soundness of his recommendations. Let me highlight just two issues that resonated with me. First, the issue of appropriately sized farms in regions such as Sub-Saharan Africa and South Asia, that suffer most from undernutrition and hunger. The average-sized farm in many parts of these regions is too small to provide a livable income to farm households. There is no agricultural technology that can resolve this issue. What is the answer? Over the short-to-medium run, rising agricultural productivity on these largely subsistence farms is the only possible solution and game in town. Gradually, as land and labor productivity moves up, (1) members of farm households can start migrating to rural off-farm and urban jobs, and (2) farm size can grow to become commercially viable. Timmer strongly rejects the alternative scenario of “large-scale, mechanized and capitalistic farms managed by absentee landowners using hired labor” (p. 131).

A second issue, worth focusing on, revolves around alternative scenarios of the future outlook for food security and meeting the global food needs of a growing population. Timmer outlines a number of possible scenarios. The worst-case scenario would occur if the demand for biofuels in rich countries could raise the price of basic agricultural commodities “to such a level that the entire structural transformation could be reversed” (p. 171). Another possible and equally undesirable scenario would prevail if only large farmers reaped the benefits of higher prices for grain leading to higher prices for food and more

poverty world wide. Neither of these grim scenarios are inevitable. Eliminating subsidies on biofuels and imposing explicit taxes on food-based biofuels would restrict their impact on food prices and help poor households.

It is difficult for me, as a reviewer, to find anything to criticize in this volume. The only slight issue I might have relates to the overly bleak assessment of development and agricultural performance in sub-Saharan Africa. Clearly, this is the region of the world where agricultural productivity is the lowest and where, for decades, agricultural output stagnated. Yet, there is evidence that this region has undergone a quantum jump in the growth rate of per capita GDP, a significant reduction in monetary poverty, and improvements in human-development indicators since around the turn of the century. Pan-African institutions and many African governments have started to recognize the crucial role of agriculture as one of the main engines of growth at an early stage of development and implemented initiatives to accelerate agricultural growth particularly on small farms. There is some evidence that in a number of sub-Saharan African countries, the structural transformation that had been deeply flawed before 2000 is becoming more successful. While it is much too early to reach any definitive judgment as to whether agriculture is finally ready to take off, there is some reason for guarded optimism.

In summary, this book is an excellent treatment of a highly complex question: why it is so hard to end hunger. It deserves to take its place among the most definitive and transparent contributions to the analysis of food security and scarcity.

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## Z Other Special Topics

*Understanding Art Markets: Inside the World of Art and Business.* By Iain Robertson. London and New York: Taylor and Francis, Routledge, 2016. Pp. xviii, 337. ISBN 978-0-415-81110-1, cloth; 978-0-415-81112-5, pbk.; 978-0-203-07059-8, e-book. *JEL* 2016-1635

Art markets hold a particular fascination for economists, partly because of the idiosyncratic

nature of the product exchanged, with multiple and very different motivations driving demand, and partly because there is an enormous amount of readily available data on sales, prices, quality characteristics, etc., which are a godsend to the econometrically minded. The economics literature is well supplied with books and articles dealing with various aspects of the art market and its processes, but few of them are referred to in this volume, its focus being on business rather than economics. Its author is Head of Art Business Studies at Sotheby's Institute of Art, and the book combines his two existing texts on *Understanding International Art Markets* and *The Art Business*.

The book deals with the international art market, bypassing the domestic markets in various countries that account for a significant proportion of the volume, if not the value of art traded. The global market comprises three levels: a primary level dealing with contemporary art coming on the market for the first time; a secondary tier where works by established artists, alive or dead, are sold and resold; and a third tier comprising the major auction houses. On the demand side, market participants fall into two broad groupings—private collectors and public galleries on the one hand, and investors and speculators on the other, the former motivated primarily by an interest in art, the latter only concerned with the prospects for short- or longer-term capital gain. However, there is considerable overlap between the groups—most experienced collectors, for example, are well aware of price movements, actual and potential, among the works they acquire.

The author sees consumerism and shifts in economic and political circumstances in the contemporary world as significant determinants of the function and direction of the international art market. These trends are reflected in tastes, which continue to be a fundamental driver of the market. He argues that tastes, and hence ultimately prices, are influenced as much by the shrewd manipulations of powerful dealers or the acquisitive behavior of the status-seeking super-rich as they are by the intellectual judgments of the art world as observable in the writing of art critics, the musings of scholars, or the decisions of curators of important art shows such as Documenta or the Venice Biennale.

But the book does not deal only with the contemporary market. Indeed, the argument throughout has strong roots in historicism. The evolutionary progress of the market is described, beginning with the Italian Renaissance, proceeding through its expansion in different parts of Europe, Asia, and the United States, and culminating in the global marketplace of the twenty-first century with its multiple sites of activity. The historical account is detailed, with frequent reference to specific works and, where possible, mention of their value or price.

Art markets have never been free from subversion by unscrupulous players. In a chapter on legal and ethical issues, the author discusses a range of issues including: unauthorized commercial exploitation of an artist's work; use of the art trade as a vehicle for money laundering; the long-established practice of forgery; deceptive conduct over provenance; and infringement of artists' moral rights over the integrity and attribution of their works. Illicit movement of cultural property is also discussed, including recent moves to repatriate stolen or pillaged artefacts to their rightful owners. Surprisingly, one of the most prominent of contemporary disputes in this respect—the possible return to Greece of the Elgin Marbles held by the British Museum—does not rate a mention. Not so surprising, given the author's affiliation, is the lack of reference to the history of price-fixing behavior in the international auction market.

Issues of valuation and the role of art as investment are discussed in a chapter curiously included under the section headed "External Factors." The demand side is considered in detail, but the level of economic analysis in this chapter and elsewhere in the book is rudimentary—the author relies for his economics primarily on an out-of-date textbook and an introductory handbook containing only brief surveys of relevant concepts. However, what the book lacks in economic sophistication, it more than makes up for in its historical and cultural erudition.

The book is not easy to read. Chapters are largely unstructured, the narrative drifting from one point to the next, with little sense of direction or culmination, rather like an agreeable stroll through an art gallery, stopping to examine some interesting works along the way.

The exposition is relentlessly masculine—collectors, dealers, investors, artists, all are male, to the point where even the gender of a prominent female cultural economist is rendered as "he." Nevertheless, there is much to be recommended in this volume—the extent of its coverage, the prodigious breadth and depth of the author's knowledge of art, and particularly the seamless integration of non-Western art, past and present, into the narrative. In the latter regard, the chapter on Chinese taste for Chinese art can be especially recommended for its wide-ranging scholarship and wealth of detail.

The book ends with a return to some basic cultural values in judging what is important about art. In a chapter informed particularly by his historical approach, the author portrays craft in traditional cultures as a pure creative form, true to its materials and capable of expressing deep spiritual meaning. He draws examples from Japan, Indonesia, China, and India to illuminate this discussion. It is strangely reassuring, in a book dealing with temporal matters like money, business, finance, and market processes, to find that it reaches its conclusion with a reaffirmation of the transcendental and enduring qualities of art.

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*Music and Capitalism: A History of the Present.*

By Timothy D. Taylor. Chicago Studies in Ethnomusicology: Big Issues in Music. Chicago and London: University of Chicago Press, 2016. Pp. xviii, 217. \$30.00, paper. ISBN 978-0-226-31183-8, cloth; 978-0-226-31197-5, pbk.; 978-0-226-31202-6, e-book.

*JEL* 2016-1093

In this book, ethnomusicologist Timothy Taylor offers an engaging yet jargon-laden reflection on today's music industry and its relation to capitalism. Capitalism here is meant in a Marxist sense, so the book is not simply about the buying and selling of music, but about the influence of neoliberalism as "an ideology, a mode of governance, and a policy package" (p. 4). The author has a rather negative view of capitalism and laments its recent evolution towards increasing

inequality, which many economists may find alarming but not necessarily a cause to reject capitalism as an economic system. Those interested purely in the music business would probably find Taylor's book hard to read, with its heavy references to French sociologist Pierre Bourdieu and German philosopher Theodor Adorno, who wrote about the philosophy of modern music and Marxist theory. Likewise, readers with a mainstream economics background wishing to study the music industry with an economist's lens will probably miss a systematic presentation of the anecdotal institutional facts from music business insiders, which are nevertheless very captivating and insightful.

Yet Taylor's book seems to be a commendable piece of academic work in the field of ethnomusicology, the study of music in its cultural context. Taylor clearly knows his topic and the book appears to be the culmination of many years of research, weaving together literature old and new from different fields, as well as original fieldwork, interviewing musicians and other people involved in the music business. The book is divided into five chapters, followed by a conclusion. The first chapter presents historical material on music and capitalism, mainly from the first half of the twentieth century, or "before the rise of neoliberalism," as referred to in the chapter's title. Here, the author sets the stage and draws on Marx and Adorno to define and expose the changing nature of music as a commodity.

The second chapter delves into the concept of neoliberal capitalism and its relation to "music production, distribution, advertising, marketing, branding, and consumption" (p. 44). This chapter thus touches upon various aspects of the music business and how they have changed over the recent years, presenting along the way insightful anecdotes and commentaries from people working in the business. For example, the reader learns about how music scores for movies are increasingly recorded in Eastern Europe, rather than in Los Angeles. Perhaps the most novel part of this chapter is the description of the job of music supervisors, which have been around since the mid 1980s, but whose relevance and role have changed in the digital age. Taylor describes them as "professional consumers [. . .] whose jobs are to find music

for use in advertising, broadcasting, and film," (p. 70) and highlights their role of bringing new music to consumers and acting as a new kind of artists and repertoire (A & R) people.

The third chapter deals with globalization and traces the Western music industry's recent enthusiasm for non-Western music. Here the author paints a rather negative portrait of the genre of world music and of the appropriation of non-Western music by Western musicians. Examples include Paul Simon's *Graceland* and Ry Cooder's *Buena Vista Social Club*. The chapter also includes a lengthy case study of Angélique Kidjo, with whom Taylor is clearly (and self-admittedly) fascinated. This chapter is perhaps the weakest of the book, especially for those readers who are less concerned with genrefication, let alone Kidjo's work. This reader would have wished to have a more balanced discussion, including examples of Western-to-Western appropriation—think, for example, of the Rolling Stones' use of American southern blues in the 1960s and 1970s.

The next chapter is concerned with digitalization, and is probably the book's most interesting one, despite its heavy-handed references to Marx and others. Discussions of sampling, jungle music, crowdfunding (such as Kickstarter), and creation using digital technologies offer the reader the opportunity to reflect on how the music industry is currently changing, without stopping at the obvious fact that CD sales are declining following the advent of MP3s and other digital formats.

In the last chapter, the author presents a series of examples of how some musicians and independent record labels are operating at the margins of capitalism, in a "noneconomic regime of value" (p. 176). This chapter contains the most original research, field interviews and anecdotes, and should be read with attention even by those who do not really care about opposing capitalistic forces. Here, the author is more balanced in his views and more fine-grained in his analysis. As Taylor aptly describes: "just because a record label is independent doesn't mean that its owners aren't attempting to turn a profit, and just because someone works for a major label doesn't mean that he or she is only interested in profit" (p. 158). The story of a major label's former chief

creative officer's first meeting with French DJ David Guetta and subsequent battle to promote him is almost worth picking up the book on its own.

All in all, *Music and Capitalism* offers a valuable read to those either interested in the narrow

field of ethnomusicology, or to those interested in the music industry who do not mind heavy references to Bourdieu, Adorno, Michel Foucault and others.

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