13 BANKERS: THE WALL STREET TAKEOVER AND THE NEXT FINANCIAL MELTDOWN, by Simon Johnson and James Kwak, Pantheon Books, New York, 2010. 304 pages; ISBN 978-0-307-37905.

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In *13 Bankers*, Johnson and Kwak describe the financial meltdown as a battle between Hamiltonian views on banking and Jeffersonian views. According to the authors, the Hamiltonian view of large and powerful banks has been an integral part of the modern financial system. However, they claim that in order for regulation to be successful, a Jeffersonian view of small banks is necessary.

The book details the history of Jackson's war on the Second Bank of the United States, stating that Jackson had no choice but to end the charter of the second bank as it had gotten to the point where the bank was so large it was able to "distort the economy for its own purpose" (p. 20). Johnson and Kwak then use this analysis to explain the 1990s East Asian financial crises. The emphasis here is that the close (sometimes familial) relationships between the political leaders and the large businesses led to politicians choosing to help those businesses that caused the debt crisis. The main idea is that the size of these firms led to them gaining large amounts of political capital, meaning that politicians chose to bail them out with no regulations as opposed to taking the necessary steps to help their economy recover.

Johnson and Kwak connect this idea to the present financial crisis. They state that the biggest problem is the size of the banks, not because they are systemically important, but because their size allows them to acquire large amounts of political capital. With this political capital, they are able to fund political campaigns in return for lenient regulations. Johnson and Kwak claim that this is the reason the U.S. Congress was unable to pass strong regulations during the subprime crisis or place strict restrictions on bailout money. They conclude with their own recommendation for financial reform, stating that banks must have strict size limits to prevent them from being able to manipulate regulations.

The book, while well written, does have some flaws. The claim that it is simply the banks' size that allowed them to attain political capital is not very convincing. Johnson and Kwak do little to discuss the issue of shadow banking. Instead of discussing the issue of deregulation as its own problem, they discuss it as a result of banks being able to control regulations. While this is true on some level, shadow banking has its own ramifications on the economy, and failure to regulate such practices will cause problems no matter the size of the institution; many small failing banks may have the same impact as one large failing bank. In addition, Johnson and Kwak do not focus much on the way banks obtain political capital. Big banks are able to impact regulatory changes because current campaign finance laws let them contribute to and lobby politicians. The authors do not address this issue, despite this being the most relevant to their argument. Placing caps on donations from firms, or even requiring all politicians to use public financing would prevent banks from being able to obtain political capital through campaign donations, thus, eliminating the problem.

The book does, however, have positive qualities. Johnson and Kwak provide an excellent description of regulatory changes throughout the 1970s and 1980s. Their explanations of the "Greenspan Put" and the transformation of policy to be responsive rather than preventive are well done, and show how regulations and responses were done to serve the banks, not the people. Furthermore, their analysis of why the Obama administration failed to regulate big banks does have some connections to the work done by Hyman Minsky. The authors discuss how the belief in a self-correcting free market is still viewed as correct by many members of Congress. As Minsky said, "If the theory is at variance with the way the economy behaves, the reforms will do little good" (Minsky 1986, 198). Like Minsky, the authors are showing that until the mindset of those in charge changes in regards to how markets work, there is little chance at true reform, as any attempts at regulation will still follow an incorrect theory. It is for this reason that the authors believe a Jeffersonian view of small firms being the key to economic success should replace the Hamiltonian view of large firms being necessary for growth.

Overall, Johnson and Kwak provide a good explanation of why the financial meltdown was allowed to occur and why Congress has been so slow to regulate the unsafe practices. The book does a nice job explaining the history of the meltdown and why it occurred, but their proposed solutions do not include all of the problems; the central focus is fixing the problem of political capital, not unsafe practices. Still, the book is well suited for those interested in understanding the nature of the political system and the way in which cultural capital plays a large role in determining which laws are passed. The book is also a useful tool for broadly understating how regulations have changed since the early 1970s. However, those looking to identify proposals that will create a strong and stable financial system should probably look elsewhere.