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David Howarth and Scott James (2023): *Bank politics: structural reform in comparative perspective*

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This major study delivers an important contribution to the literature on comparative political economy. Authors David Howarth and Scott James, leading authorities in the field, managed to give us another excellent study of banking regulation that is very much worth reading. They start off with the reflection that the financial crisis of 2007–2008 has led to large bailout of banks. They note in particular various advanced economies whose government spent considerable sums of money to bail out the banks, especially those that were ‘too big to fail’ (TBTF). Using large amounts of public money to help the financial sector might give rise to public pressure to reform legislation one might think, but not all countries follow the same path. Thus, their question is to understand first and foremost what has happened in selected advanced economies that have considerably large banking sectors.

They select six jurisdictions: five countries and the EU. Their country case studies are four European countries and the United States. This first book length treatment of banking regulation post-financial crisis is the first of its kind to study a sizeable number of countries. They chose advanced western economies in which banks are a considerable part of the economy. The puzzling factor they seek to understand is why some jurisdictions made major reforms while other did much less or not at all. In their analysis, they draw on the political economy literature of financial regulation—both international and comparative political economy—and look at the role of business. They seek to explain which conditions may have given rise to the bank regulations observed. At the international level, these include the role of dominant players that are able to set regulations; whether one should expect coordination at the international level; and whether key drivers are at the international level or not. From the comparative literature, they take insights about the domestic institutional

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setting, the variety of financial capitalism, how it may impact the path that could follow, and whether the banking sector has a scope that reaches well beyond the domestic arena. They dismiss these existing explanations in the international and comparative political economy literature as overly deterministic and focused on the structure—leaving little space for agency.

Indeed, they then turn to the role of business and lobbying to find an avenue for this actorness. They embed their approach in the broader political science literature that looks at pluralism, the role of elites, power, and the domestic setting. Effectively they find a way to merge an approach that appreciates the differences between systems (drawing in the comparative political economy literature) with one that appreciates the active role of financial sector representatives. Using these insights, they develop their explanation of the six cases that show divergent results. They hypothesize that the financial sector is more influential if it cooperates than if the sector is characterized by competition. The cases they study have a different lay of the land of financial institutions. Furthermore, the role of other societal actors differs from country to country in the cases that they examine. They also review the role of venue shopping as a strategy by financial players. In this way, Howarth and James develop what they call a ‘comparative financial power’ approach to explain the divergence among the cases.

Seeking to understand bank reform (dependent variable), they seek cases which represent variety of cases. They examine the following cases: two cases with significant reform (United States and the United Kingdom); two cases with limited reform (France and Germany); and two cases with no reform (the Netherlands and the European Union (EU)).

The empirical case studies are exemplary. It is no small feat to do a six-‘country’ case study and keep the cases readable. The authors can be commended for having managed a mix of primary and secondary sources: policy documents, newspaper review, interviews with key observants, and a solid review of the secondary literature. The material is transparently included in various lists of references and a list of interviews in the back of the book. The cases are not studied the same amount of depth, however. Many more pages are devoted to the United States case, for instance, than that of Germany; and fewer interviews were done in the Netherlands than in the United Kingdom. But on the flipside, the Netherlands has a complex political landscape, and the authors took much more care in understanding for instance the election manifestos of the many Dutch political parties than is often done. In other words, the case studies are done well, even if they are not fully ‘symmetrical’.

The authors provide the reader with a compelling study that ends with a convincing explanation, of how to make sense of the bank reform post-crisis—namely that there was a lack of global regulation of banks and that domestically countries have chosen a variety of bank regulations. How can we explain this puzzle? Howarth and James argue that the push for banking reform usually comes from the electorate (or better still: electoral dynamics). In their explanation, they rely heavily on the importance of business power but offer a refining of our understanding of the influence of market players. Howarth and James stress the need to differentiate clearly between ‘state’ and ‘business’ and whether in the domestic setting, the financial landscape is characterised by ‘competition’ or ‘cooperation.’ They also warn against treating



business as a ‘black box’ (p. 279). Their explanation also includes an understanding of how bank reform becomes salient, looking at the various venues in which bank regulation is debated and the interaction with political forces. One of the reasons they underscore as to why in the Netherlands banking regulation reform did not occur is that financial actors were able to reduce the salience of the issue.

Taken together, this book offers a very welcome contribution to the literature on banking regulation in advanced economies, following on the heels of the 2007–2008 financial crisis. It is well written, well researched, and exemplary in weaving through empirical detail and theoretical sophistication. To leave the readers of *Acta Politica* with a little puzzle to reflect on, I offer the following: the case of the Netherlands is in fact very interesting. In their concluding part of the chapter that focuses on the Dutch case (chapter 8), Howarth and James tell the tale of Dutch citizens demanding regulation that would enable the creation of a narrow retail bank (pp. 238–9). The readers may recall that this episode eventually it led to a motion in the *Tweede Kamer* which was adopted unanimously by the members of the lower house which would facilitate the creation of such a bank. The authors do not do much with that episode in their actual analysis as it was beyond the scope of their study. But future researchers may wish to take them up on the invitation to examine how their explanation of the Dutch case stands the test of time.

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