rural Egypt's irrigation system in the eighteenth century. Similarly, it seems clear that Egyptian independence was at best a mixed bag for the Egyptian peasantry. As Mikhail notes, it is probably more historically accurate to conclude that independence led to increased pressure on Egypt's population (p. 293).

Perhaps where the book is at its weakest is when it attempts to use the patterns documented between 1675 and 1820 to inform broader theories of institutional development. The book claims (pp. 36–37) that "imperial government came to Egypt in the early nineteenth century" and that "there was nothing 'natural' about this imperial character of Egyptian government." However, showing that institutional arrangements varied between 1675 and 1820 does not refute the hypothesis that Egypt's resource endowments made it probabilistically more susceptible to autocratic rule. Similarly, this evidence does not disprove that the roots of these autocratic institutions are to be found further in the region's past.

On the whole, however, the book's strengths outnumber its weaknesses. Indeed, one of the greatest strengths of this book is that it suggests a path forward for future studies of the role of the environment in other regions and time periods of Islamic history. It is this reviewer's hope that *Nature and Empire in Ottoman Egypt* will stimulate similar studies. Such studies seem a fundamental step in enhancing our understanding of the region's historical and institutional development.

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GENERAL AND MISCELLANEOUS

Guardians of Finance: Making Regulators Work for Us. By James R. Barth, Gerard Caprio Jr., and Ross Levine. Cambridge, MA: The MIT Press, 2012. Pp. xiv, 280. $27.95, hardcover.

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Following up their earlier work on what inhibits effective regulation of continuing financial innovation within a global financial market, (*Rethinking Bank Regulation: Till Angels Govern.* New York: Cambridge University Press, 2006), the authors present here a coherent case that financial regulators, the appointed "guardians of finance," have failed repeatedly to do their job, namely to prevent financial crises while sustaining effective payment systems and credit functions. Indeed, the haphazard creation of new regulations and regulatory bodies after each crisis in the past 100 years has laid the ground for future, more serious crises. But now the authors propose a solution, namely creating a "Sentinel" (initial caps in original) to oversee the regulators. This new institution would monitor the operations of financial systems as well as the actions (but especially the inaction) of regulators. While it would have no remedial powers or regulatory authority, the Sentinel would issue regular, authoritative reports on what was happening throughout the financial system and why. If such a Sentinel had been in place, the authors argue, it might have forestalled much of the ongoing problems currently faced worldwide with the crisis that culminated in September 2008. They cite repeated instances that the guardians of finance knew and understood what was happening, but failed to take corrective actions in a timely manner. Why? They answer, because the guardians were not accountable to the public, but only to their specific clientele. Why elected political representatives did not respond, or why investigative reporters did not alert the public, are questions

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they should also answer, however, to convince us that their Sentinel is needed and would perform better in making regulators accountable to the general public.

Their argument proceeds in steps, often reprising much of the literature already in print although with useful comments in the copious footnotes. The authors note first that, "Regulating Finance is Hard To Do," Chapter 2, then acknowledge that before the crisis of 2008 there were, "Incentives Run Amok," Chapter 3. The substance of their argument, however, comes in Chapter 4, "How U.S. Regulators Encouraged the Financial Crisis," which notes all the failings of the U.S. regulatory system, now well-documented. But, the authors claim, contrary to some defenses made by leading policymakers, regulators were aware of the mounting problems and simply failed to take effective action, or even report the existence of the problems. Worse, they were not accountable for their inactions, which led to mounting problems. And worst of all, regulators in the rest of the world were even less diligent, given the examples of Ireland, the United Kingdom, and Iceland ("American Crisis? Ain't Necessarily So," Chapter 5).

For economic historians, Chapter 6, "Been Down This Road Many Times Before," fleshes out a time line of regulatory acts and financial crises starting with the first commercial bank, Bank of North America (1781) and ending with the American Recovery and Reinvestment Act of 2009, the Dodd-Frank bill. Special attention is paid to the recurrent problems of savings and loan associations created when the Fed changed interest rate policies in 1980, creating the Volcker Shock in interest rates. The successive palliatives legislated to assist the savings and loan associations caught with illiquid assets in the face of mounting withdrawals of deposits started with the Depository Institutions Deregulation and Monetary Control Act in 1980, and have continued to the most recent increase in deposit insurance to $250,000 per account per bank. Each change in regulations simply avoided confronting the actual insolvencies when they began, and so created larger bailouts eventually. Chapter 7 then picks apart the Dodd-Frank bill to show that it too, like previous legislation, avoids dealing with the real problems (e.g., the Volcker Rule as a substitute for the Glass-Steagall Act). In frustration, the authors conclude that only creation of a Sentinel can make financial regulation effective.

They downplay, however, the frustrations of state regulators who were repeatedly blocked by regulators at the federal level, who were indifferent to the systemic flaws emerging but very protective of their home turf, by arguing that there were deeper problems. Their favorite analogy is the well-documented "home-court bias" of referees in sporting events, which suggests that financial regulators take on the attitudes and self-justifications of the banks and firms they oversee. But, just as instant replays of referee decisions have led to the elimination of home-court bias in professional football, basketball, and baseball, so they think that the creation of a Sentinel, which would provide the equivalent of instant replays for the financial system, might lead to more effective regulation.

Having encountered skeptical responses to their ideas when presented to audiences of regulators, legislators, or academics, they conclude by presenting counter arguments in their defense. They dismiss alternative suggestions that include further empowering the Federal Reserve System, and no doubt would dismiss as well giving the European Central Bank unified regulatory authority over the banks of the eurozone. International agencies such as the IMF or BIS are also put aside, perhaps reflecting the World Bank background that first brought the authors together. Their intention is to stimulate new thinking about regulatory powers and they have surely succeeded. Whether it would ever be feasible to create a "Sentinel" that is

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"independent of both politics and markets," and that could be effective as well is doubtful however. After all, it has never been accomplished in the past, and the ongoing travails of the European Central Bank, designed also to be independent of both politics and markets, suggests that may still not be possible.

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