example, the relationship between food security and malnutrition is discussed in various places, but there is comparatively little inquiry as to whether interventions can mitigate the short-term stress of food insecurity. Indeed, while a number of authors acknowledge social protection transfers as one response to food insecurity, none provide an analysis of their scope or effectiveness. This is surely a topic of paramount interest to policymakers.

But this is a small lacuna in a volume that brings much light to bear on a different type of long-term impact following a short-term price spike; that of the risk that governments faced with food insecurity might put into place programs that are counterproductive in the longer run. Many programs and policies prompted by the global price spike of 1973 were debated well into the next decade, and rightly so. If the insights of this volume are widely understood, however, the recent price history will lead to a more judicious legacy and not cast a disruptive shadow into 2020.

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G Financial Economics

Size, Risk, and Governance in European Banking. By Jens Hagendorff, Kevin Keasey, and Francesco Vallascas. Oxford and New York: Oxford University Press, 2013. Pp. xiii, 261. ISBN 978–0–19–969489–1.

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The recent great financial crisis (GFC), characterized by sharp increases in bank and shadow bank failures in many industrial countries, has intensified interest in bank performance and its determinants, in particular, bank size, risk, and governance, as highlighted in the book's title. This volume is a welcomed addition to the empirical literature in banking. It sheds additional light on bank performance–structure relationships, primarily for European banks. In contrast, the attention of almost all previous empirical researchers in this area to date has been focused on U.S. banks. As the performance of at least the larger European banks during the GFC appears to have been considerately poorer, on average, than that of larger U.S. banks, the latter may not have been representative. By providing additional empirical information on the performance of non-U.S. banks, the book makes an important contribution to our knowledge and understanding of bank behavior across varying economic, legal, political, regulatory, and institutional environments. It is interesting to note that none of the three coauthors are from the United States.

Omitting the short introduction and conclusion chapters, this reasonably slim volume is divided into three parts and seven chapters, one part each devoted to size, risk, and corporate governance. Each of the seven chapters is organized like a stand-alone journal article. The first section of the chapters provides a brief but sweeping survey of the literature. The second section constructs the model to be tested. The final section describes the data sources, the econometric techniques applied, and the results. Indeed, the volume resembles a special issue of an academic journal devoted to a common subject, more than a book.

The authors perform and report on a large number of interesting empirical analyses, far too many to discuss in a brief review. I will select only a few. Perhaps the most interesting, given the heightened current interest worldwide in "too-big-to-fail" policies and moral hazard, are the effects of bank size on bank performance, particularly risk. In contrast to the United States, Europe consists of many countries, but banks can operate freely across national borders either as branches, in which case they are the responsibility of the home country, or as subsidiaries, in which they are the responsibility of the host country. Thus, the authors measure bank size

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both by the absolute dollar book value and by systemic size or relative to the dollar GDP of the home country in which the bank is chartered. The latter provides a gauge of the financial capacity of a government to rescue its troubled banks, particularly those that are outside the country, where political forces are likely to play a role. The higher the ratio, the greater is the liability and potential cost of any rescue. But the impact on bank risk taking is uncertain. On the one hand, the higher cost would make a rescue less likely and bank creditors would prepare for assuming losses. In response, banks will need to pay higher interest rates on their deposits and will reduce their risk exposures. On the other hand, the collateral damage associated with a bank failure may be expected to be so great that, to prevent official recognition of the loss, banks will be expected to be fully bailed out, likely at below-market rates of interest. In response, the banks will increase their risk exposures.

Risk is proxied by a Merton's distance-to-default type measure. The shorter the distance, the greater the default risk. To estimate the risk–performance relationships, annual observations for some 820 banks across 45 countries from 1998 through 2010 are fitted to a very large number of alternative linear ordinary least squares time-series cross-section multiple regression models. For the period as a whole, risk is found to be inversely statistically significantly related to both measures of size for all specifications. For subperiods, however, this is not true. Systemic size is significant only for the recent (2008–09) GFC period, but not for earlier, lesser crises. This suggests that there is more aggressive risk taking by large banks, whose failures are costliest to resolve when the environment for risk taking becomes more favorable to them. This is consistent with the moral hazard implications of too-big-to-fail. These results are similar to those for U.S. banks.

The authors also explore whether and how risk changes as banks increase their size through mergers and acquisitions. They find that the characteristics of both the bidding (acquiring) and the target (acquired) banks matter. On average, European bank mergers tend to be risk neutral. The default risk of the bidder is not affected by the merger, even if the banks are not well-diversified before merger. Risky European banks do not acquire banks they wish to use to reduce their risk exposure through diversification. Relatively safer European banks target banks that will increase their default risk exposure, particularly if the regulatory regime for the bidding bank is weak. Risk increases are largest for cross-border and activity-diversifying deals.

This book is an important addition to our understanding of the impact of bank size on bank risk exposure by testing the relationship, particularly for European banks. Size matters importantly and may become an increasingly more important factor in public-policy decisions in the future. However, because it crams a large number of empirical tests in relatively little space, the book is not an easy read. But it is worth it. The book also contributes by including a wide-sweeping survey of the literature. The large number of references cited under one roof at the end of the book will be of help to future researchers. It is therefore somewhat surprising to see that the authors omitted references to Professor Edward Kane's numerous major contributions to the field. Kane is the godfather of much of today's theoretical and empirical research on the economics of government-financed safety nets, particularly those under banking. However, the book is still worth a read.

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New Perspectives on Emotions in Finance: The Sociology of Confidence, Fear and Betrayal. Edited by Jocelyn Pixley. Routledge International Studies in Money and Banking. London and New York: Taylor and Francis, Routledge, 2012. Pp. xv, 238. ISBN 978–0–415–53379–9. *JEL 2013–1041*

This volume is third in a series of the Emotions Network within the European Sociological Association, edited by the economic sociologist Jocelyn Pixley. Contributors to this volume use and modify sociological or social anthropological concepts to demonstrate the links between emotions and behavior, with a focus on the most recent financial crisis. Together with insights from economic psychology, this volume suggests that insights from economic sociology should be taken seriously in any model that claims to be

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