The Rise and Fall of Keynesian Ideas During the Great Recession

An INTERNATIONAL STUDIES QUARTERLY ONLINE symposium

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Published Online, 3 January 2018 v1.2

Introduction

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What is the role of expertise in global politics? The anti-establishment wave rolling over the United States and Europe makes this research question even more urgent. Farrell and Quiggin (2017) in their piece, "Consensus, Dissensus, and Economic Ideas: Economic Crisis and the Rise and Fall of Keynesianism," open up the conversation on at least four levels.

First, they push a dynamic approach that puts experts and policymakers in rightful conversation with one another. In contrast to explanations, which either focus on the experts or the policymakers, the authors suggest the multiple ways in which the two interact with and are dependent on each other. This is not a world in which experts blind policymakers with their fancy jargon or a world where policymakers simply steal a useful catchphrase from the academy. Experts and policymakers are bound together in a mutually reinforcing process of legitimation and professional success.

Second, the authors challenge static notions of expertise, which emphasize continuity. Here, they adapt insights from sociology concerned with the way in which ideas can serve as 'hinges' between professional communities. In doing so, they offer a concrete mechanism to understand changes in policy substance, in this case responses to the 2008 financial crisis. The swing from monetarism to fiscal spending to austerity offers a remarkable case of such rapid policy shift in need of explanation.

Third, the article underscores how ideas are not monolithic. In most intellectual communities, factions exist with rival interpretations of what makes good policy. The question then becomes how different factions make themselves relevant to policymakers and in turn how such relevance reflects back on the intellectual community. The article moves past hegemonic notions of collegial epistemic forces and exposes the internal rivalries among experts. The activation of different factions within these communities becomes a key source of power both for policymakers and the expert factions.

Fourth, and finally, Farrell and Quiggin demonstrate the power of interdisciplinary insights. Drawing on work from the sociology of professions, they make a significant political science contribution regarding the role of ideas in understanding a fundamental debate in macro-economics principles.

We thus invited an interdisciplinary group of contributors from economics, sociology, and political science to think through the argument further and probe its implications. Each takes a slightly different tact on how they view the contribution as well as where they might go next. Andrew Baker, for example, seeks a richer understanding of the way in which electoral politics both at the party and mass level interact with the hinging dynamic. In other words, are the benefits that policymakers receive from expert views in some ways a function of electoral coalitions and party platforms? Perhaps a dual hinge exists between the experts and policymakers as well as with a key 'selectorate'. Elizabeth Popp Berman calls on the authors to embed their argument in a larger structural context. In particular, she wonders about the role that crisis played in the processes put forward by the authors. Paul Krugman, by contrast, cautions against an overly deterministic model of how ideas and hinges relate. Here, he notes the critical role played by 'on-the-fly' thinking among different expert communities. Rather than clearly vetted professional doctrine, the return to austerity, for example, relied on novel concepts invented during the crisis. Krugman's comments call for greater attention to contingency as well as perhaps the willingness of professional communities to breach orthodoxy so as to maintain relevance. Finally, Stephen Nelson takes Krugman's comments a step further, calling on scholars of economic ideas to deploy a full range of methodological approaches aimed at understanding disagreements within and across professional communities. Ultimately, these interventions offer an exciting research agenda stemming from the Farrell and Quiggin contribution.

POLITICAL USES AND ABUSES OF ECONOMIC IDEAS

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In Henry Farrell and John Quiggins' article, a demand for and supply of professional esteem (Brennan and Pettit 2004, Baker 2017) effectively drives the rise and fall of Keynesianism after the financial crash of 2008. They identify a two-way dynamic where scholarly ideas provide legitimacy for pro-austerity policy makers, while policy makers' endorsement enhances the prestige of economists advocating those ideas in a 'hinge' effect (p.279, Abbott 2005). Their contribution shows how some experts shifted between pro-stimulus and pro-austerity positions, and questions assumptions about the stability of ideas (Haas 1992, Cross 2013, Nelson 2014). The crucial question this analysis raises, however, is whether a focus on professional ecologies and 'hinging' fully captures the patterns and drivers of fiscal policy since the financial crash?

First, the extent to which, pre-crash, Keynesian economists of various hues were genuinely marginalized, can easily be overstated. The new Keynesian approach favored by the Clinton and Blair administrations retained some of the ideas of Keynes: assigning importance to aggregate demand; and accepting that fiscal policy is an appropriate tool of stimulus in a liquidity trap (Wren Lewis 2012a, 2012b, 2014). Likewise, center left parties' commitment to fiscal discipline during the 1990s can be interpreted as a bid for fiscal credibility carving out space for later 'fiscal coarse tuning' (Clift and Tomlinson 2007). Moreover, the extent of discretionary stimulus measures following the financial crisis was generally much smaller than the effect of automatic stabilizers (Hodson and Mabbett 2009, OECD 2009). Consequently, wholesale abandonment of, followed by conversion to, Keynesian stimulus after 2008 overstates the policy pattern. The fall, rise, fall again cycle of Keynesianism is less pronounced and more qualified in the Anglo-American world than this suggests. Some sort of ideational see-saw effect is a better fit with the German case, given entrenched historical and cultural hostility to fiscal expansion (Holtham 1989, Baker 2006).

Second, there is a danger that Farrell and Quiggins' 'hinging approach' elevates the importance of experts and understates the role of electoral and party politics in the field of fiscal policy. Fiscal policy enjoys less institutional insulation from electoral party politics than monetary policy or financial regulation, where we might expect expert groups to have greater influence (Baker 2013). Fiscal policy displays many of the features of what James Thurber (1996) calls a macro policy system: general policy decisions with major political effects, high party political interest and visibility, divisiveness, high media coverage and a plurality of participants. When such characteristics are present, electoral calculations and party strategy will shape the ways in which expert knowledge is used and deployed.

The UK case and the turn to austerity provides a good example. Here, voices in the opposition Conservative Party, most notably George Osborne, opportunistically used the Greek crisis in 2009 to suggest the UK was heading for national bankruptcy. Osborne was also the Conservative's chief general election strategist. Claims about excessive Labour spending bankrupting the country were made repeatedly in the lead up to the general election of May 2010, as well as afterwards by the resulting coalition government. Osborne's own engagement with macroeconomics was limited to approvingly citing Kenneth Rogoff's work that public debt over 90% of GDP constrains growth (Osborne 2010). Osborne's plans to eliminate the UK's 'structural deficit' within a single parliament did draw a supportive letter to the Sunday Times from a transnational group of twenty leading economists, with Rogoff prominent. While this bears some resemblance to the 'hinge' processes identified by Farrell and Quiggin, the primary dynamic at work was different.

By August 2012, ten of the twenty economists had changed position and were calling for more government investment on capital projects, citing falling borrowing and labor costs. Only Albert Marcet of the original group repeated his endorsement (Eaton 2012). Rogoff himself complained in 2013 that his work had been misrepresented by politicians and commentators who were falsely equating his findings with an unambiguous call for austerity (Rogoff 2013). Most macroeconomists' positions on fiscal policy are complex, qualified ones that are prone to misuse by politicians for political and electoral reasons, while economists themselves are prone to changing their minds as data and circumstances change.

Two other newspaper letters in 2010 from two different groups of 60 economists criticized Osborne's policy. An Alan Blinder and Robert Solow-led group argued that going beyond cuts planned for 2010-2011 would damage demand, and a Paul DeGrauwe and Brad DeLong-led group argued that any attempt at fiscal consolidation was premature given poor economic performance. Osborne's approach to fiscal policy quickly became out of step with the critical mass of international expert economic opinion. Despite this, rhetoric and discourse on the need for urgent action to repair Labour profligacy and to prevent national bankruptcy persisted. That message became the core element of Conservative Party electoral strategy, attaching blame to the previous Labour government for the financial crash by creating a narrative that the party could not be trusted with economic management. In Germany, Angela Merkel's praise for the thrift and wisdom of the Swabian housewife in 2010 was also part of an effort to convince German voters that they would not pay for profligate peripheral Euro-Zone governments, leading to a hardening of the German negotiating position on EU fiscal retrenchment (Blyth 2013).

While 'hinging' and its application to fiscal policy can tell us much about the two way interactions between economists and policy makers, we should not lose sight of the fact that politicians play on everyday mass fears of fiscal profligacy as a part of electoral strategies, sometimes distorting or ignoring the positions of academic economists. Economists for their part can sometimes be seduced by the prestige gains accruing from a favorable political endorsement, before distancing themselves from the subsequent unthinking and unqualified application of their ideas. Shifting patterns of expertise are not unimportant in fiscal policy, but the use of expertise is always filtered by electoral politics and strategies.

HINGES IN A TIME OF CRISIS

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As a sociologist interested in the political impact of economics, I am all on board with Henry Farrell and John Quiggin's proposal to link the political science literature on the role of ideas with the sociology of the professions. And I agree with their two major claims: that it is productive to see the professional and political domains as linked ecologies or fields, and that that the causal arrow between experts and policymakers goes both ways. Thus I am sympathetic to Farrell & Quiggin's explanation of how a new Keynesian consensus rapidly developed in economics in 2008, before just as quickly crumbling in 2010, as pro-austerity arguments came to the forefront.

Farrell & Quiggin conceptualize macroeconomic policy as a "hinge" issue that mattered in both the professional and political ecologies. Academic economists fought over whether Keynesian ideas would be accepted, while policymakers fought over whether Keynesian stimulus would be enacted. In 2008, this produced alliances between policymakers who wanted to secure economic stimulus and economists advocating Keynesian arguments in the academic sphere. But in 2010, more austerity-minded policymakers promoted competing economists, thus disrupting the apparent consensus. Their argument holds up better than the competing explanations, including bargaining (it's all politics; the experts don't matter), and standard ideational accounts (expert consensus affects policy).

I agree that hinge dynamics played a role in this episode, and are important for understanding the expert-policy relationship more generally. Yet I am skeptical that those dynamics alone explain how this case turned out.

The hinge explanation does a good job of showing why a new alliance between policymakers and Keynesian economists developed in 2008. Policymakers, who wanted stimulus for political reasons, aligned with the Keynesian minority in the profession rather than simply accepting the anti-Keynesian consensus or ignoring experts entirely. Since economists gain academic authority when they demonstrate political influence, this boosted the academic stature of Keynesian claims, to the point where Keynesian stimulus became a consensus position. This held until conditions changed enough that German policymakers wanted to advocate austerity, at which point they aligned with newly marginalized anti-Keynesian economists. This bolstered the position of both the Germans and the anti-Keynesian economists, causing the apparent consensus to crumble.

What the hinge argument doesn't explain, though, is why there was such a reversal in the consensus position to begin with. The implication of the hinge model is that policymakers were acting strategically within the political ecology, and economists were acting strategically within the professional ecology, and the temporary Keynesian consensus arose because it served the interest of both groups. The content of the ideas are basically irrelevant, except insofar as they match the strategic interests of each set of actors.

But at least two other factors seem likely to have played into this dynamic. They are not contrary to the hinge argument, but aligned with it and would have independent effects in the same direction.

One is the psychology of crisis. 2008 was a moment of real economic panic. On its own, we might expect this to dislodge the status quo. As Mark Blyth has capably shown, moments of crisis produce openness to ideas that might previously have been beyond consideration. The fact that people like Richard Posner and Martin Feldstein suddenly supported stimulus in 2008 seems less likely to have resulted from any alliance of Keynesian policymakers and economists, than to the disorienting effects of old ideas running smack-dab into new realities.

Crisis shaped reaction to stimulus in other ways as well. In a moment of crisis, people seek action to combat it. "Hold the reins steady" becomes less compelling when the whole economic world seems to be falling apart. Crisis also makes people more willing to sacrifice long-term interests for the sake of short-term ones. Even if one thought debt might prove a burden down the road, in the short run, avoiding another Great Depression seemed like the main priority.

Farrell & Quiggin allude to the unusual environment produced by crisis, suggesting that "the turn toward Keynesianism among economists resulted from processes of debate midway between trench warfare and intellectual contagion" (p. 276). Yet this underplays the crisis itself as an explanation for the shift, relative to the alliance that developed between economists and policymakers.

The other factor to consider is a policy position we can call "conditional Keynesianism." Farrell & Quiggin assume two stylized positions: pro-stimulus Keynesians, and anti-Keynesians who favored austerity. Their argument implies that in 2006 the latter were in charge, in 2008 the former came to dominate, and in 2010 the two groups competed for influence.

But a sizable minority of the profession seems to have thought that stimulus was needed in 2008, but by 2010 that debt levels were more important, given that the immediate crisis had passed. Kenneth Rogoff, who was strongly pro-stimulus in 2008 but raising red flags by 2010, is emblematic of this group. Conditional Keynesians complicate the story, because their intellectual position does not need to have changed between 2006, 2008, and 2010 in order to explain their evolving policy preferences. If this group is substantial, we would expect it to exert independent influence in the same direction as the hinge argument.

Neither of these factors suggests the hinge dynamics weren't in play, nor that they aren't more generally a useful way of thinking about the interaction between experts and politics. But they do imply that to fully test the hinge argument we need to look at other cases in which economic crisis is less central. To some extent, I try to do this by examining the coevolution of economics and antitrust policy in the U.S. in the 1970s. In the international studies realm, one might imagine reexamining Jeffrey Chwieroth's analysis of the IMF's changing view on capital controls through a linked ecologies lens that attends to the dynamics of the economics profession as well as of the organization.

Ultimately, the adoption of new ideas demands multi-causal explanations. Unpacking the mechanisms behind hinge dynamics will require additional cases to rule out competing explanations, as well as the close empirical work of process-tracing. But Farrell & Quiggin have, to their great credit, pointed us in a productive direction, while providing a better explanation of the (latest) rise and fall of Keynesianism than anyone else so far.

Notes on Farrell and Quiggin

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As one of the people very much involved in the economic policy debates that followed the global financial crisis, I can vouch that Farrell and Quiggin's description of the interactions between policymakers and economists rings true. As they say, policymakers often feel the need to find high-profile economists to defend their choices, even if they're using these economists as a drunkard uses a lamppost: for support, not illumination. Meanwhile, the prestige that comes from having policymakers who appear to be taking one's advice is an important motivator for economists, and can tilt their (our) judgments toward telling people with influence what they want to hear.

I would argue that their list of anti-Keynesian policymakers acting as a hinge between academia and the "real world" is a bit incomplete: the U.S. Republican Party and the European Commission (which isn't simply a veil for German views) were also important players. The range of issues in which macroeconomists appeared to be catering to political preferences also reached beyond fiscal policy: some well-known economists expressed vociferous opposition to monetary expansion as well. But the general picture seems right to me.

There are, however, two further points worth emphasizing.

First, I'm not sure how many readers will realize the extent to which anti-Keynesian economic arguments, as opposed to those that Keynesians made, were invented on the fly.

The paper seems to suggest that there was a broad consensus before the crisis that fiscal policy did not work, so that the Keynesian turn of many macroeconomists in 2008 represented some kind of departure from previous views. In fact, however, "salt water" economists (i.e., those sympathetic to Keynesian interpretations) had long argued that conventional monetary policy loses traction when interest rates get close to zero (Krugman 1998, Eggertsson and Woodford 2003), and correspondingly that fiscal policy becomes more effective than in normal conditions. So they were responding to events rather than changing doctrine.

However, something quite different happened on the other side of the debate. A large part of academic macroeconomics was and is implacably opposed to Keynesian views, insisting that business cycles reflect real shocks and aren't amenable to policy; but this "equilibrium macro" view played little role in post-2008 debates. Instead, we had novel doctrines like Alesina-Ardagna expansionary austerity and the Reinhart-Rogoff debt threshold that went straight from working papers to official orthodoxy.

The point is not that these papers never went through formal peer review, which is both overrated as a screening mechanism and plays a diminishing role in economics in any case. Rather, the point is that they became hugely influential before there was any extensive discussion or critique by professionals. When that critique came, it was generally quite harsh – for example, the IMF found that the procedure A-A used to identify fiscal shocks did a very poor job of matching actual policy, and that using a better measure reversed their results, while R-R's results turned out to be largely driven by some eccentric choices about data analysis plus, famously, a spreadsheet error (IMF 2010). But by that time, these papers had already played a major role in policy debate.

Second, at this point what is remarkable is how small a role evidence has played in changing minds. This is clear with respect to fiscal policy, where the strong association between austerity and economic contraction has made little dent in anti-Keynesian views. It's even clearer with respect to monetary policy, as illustrated by a clever 2014 article in Bloomberg. The reporters decided to follow up on a famous 2010 open letter to Ben Bernanke, in which a number of well-known conservative economists and other public figures warned that quantitative easing would risk a "debased dollar" and inflation. Bloomberg asked signatories about what they had learned from the failure of inflation to materialize; not one was willing to admit they were wrong.

In this context it may be worth noting that at the time of writing, we don't yet know who will be the next Federal Reserve chair – though it appears that a key qualification for being on the shortlist is having warned about inflation in 2009-2010; that is, having been utterly wrong during the crisis.

All of this adds up to a fairly dispiriting portrait, of course. The actual relationship between experts and policymakers has borne little resemblance to the idealized picture, with both sides of the transaction violating supposed norms. And it's hard to see signs of improvement looking forward.

"It" Happened Again: Farrell and Quiggin on the Resurrection of Old Keynesian Ideas during the Global Financial Crisis

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In 1982 the renegade economist Hyman Minsky published a book of essays entitled *Can "It" Happen Again?* The "it" in the book's title referred to a replay of the Great Depression, and in the preface Minsky made his position clear: "it" happens, "it" can indeed happen again, but the chances that "it" will hit the fan would be far lower if economists and policymakers kept tried-and-true Keynesian analytics and policy options alive. Chief among those recommendations were stimulative tax-and-spending policies to reflate economies suffering from negative across-the-board demand shocks.

Meanwhile, the mainstream of professional macroeconomics in the U.S. was busily purging "old-school" Keynesian assumptions from their models in the wake of the stagflation of the 1970s and in the face of disciplinary demands for mathematically-intensive theorizing built on a "microfoundation" of axiomatically rational agents. (Two years before the publication of Minsky's book, the University of Chicago's Robert Lucas (1980, 18-19) observed: "one cannot find good, under-forty economists who identify themselves or their work as 'Keynesian.' Indeed, people even take offense if referred to as 'Keynesians.' At research seminars, people don't take Keynesian theorizing seriously anymore; the audience starts to whisper and giggle to one another.") Old Keynesian views were pushed to the margins of the field; by the turn of the millennium "few [macroeconomists] would deny… that the New Classical and New Keynesian research programs dominate the available space" (De Long 2000, 84). Both the New Classical and New Keynesian approaches viewed traditional Keynesian fiscal policies with a great deal of skepticism. In any case, monetarists had shown that central bankers were responsible for the disaster of the 1930s and, with this knowledge in hand, "it" couldn't happen again – in fact, at Milton Friedman's 90th birthday party in 2002, Ben Bernanke said: "You're right, we did it. We're very sorry. But thanks to you, we won't do it again" (Sumner 2015, 232).

Well, in 2008 "it" happened again. And what came after the eruption of the Global Financial Crisis is the puzzle that drives Farrell and Quiggin's important article: "old" Keynesian ideas about the need to use fiscal policy to counteract negative demand shocks reemerged, and governments in many countries between the end of 2008 and mid-2009 announced stimulus packages. The shared commitment to spending their way out of the recession did not last long, however; by mid-2010 some powerful players in Northern Europe decided that the Keynesian experiment had run its course and that, as then-president of the ECB Jean-Claude Trichet wrote in the *Financial Times*, "it is now time for all to tighten." In the U.S., the fight over raising the debt ceiling in the summer of 2011 ended with fiscal policy moving in a much more austere direction.

In order to understand the rise and fall of old Keynesian policy ideas, Farrell and Quiggin draw on insights from the "ecological" tradition in sociology, which has in recent years informed work on a variety of different topics (c.f. Abbott 2005; Fourcade and Khurana 2013; Green et al. 2016; Seabrooke and Tsingou 2015). What all this work shares is a concern with the processes by which the internal struggles within professional "ecologies" (say, the field of macroeconomics) inhibit or facilitate alliances with members of other adjacent systems (such as the policymaking community). This approach shines a light on how certain "hinge" issues can get sub-groups from different ecologies to work together – forming alliances that elevate those groups' status and influence.

The resurrection of Keynesian fiscal policy ideas came about, according to Farrell and Quiggin, because of dynamics in two professional ecologies. In elite academic circles, many "superstars" (including a few who had previously been hostile to Keynesian views) publicly accepted that it was "impossible to understand [the crisis] without invoking paradox-of-thrift logic and appealing to shocks in aggregate demand," giving the impression to outsiders that the profession had reached a consensus on what to do. In the policymaking domain, officials who thought that fiscal stimulus was the only feasible response to the biggest economic crisis in 70 years could point to the apparent consensus to legitimize their position. (As Minsky once said, "theory lends legitimacy to policy.")

Here's where I found Farrell and Quiggin's ecological framework most useful. A good deal of previous ideational work in political economy (including some of my own) has focused on the "stickiness" of beliefs. Some of the most effective empirical studies in the "ideas matter" vein have shown that, because actors' "mental models" aren't easily discarded, beliefs can guide action even when the strategy is, from a purely materialist perspective, costly, suboptimal, or otherwise just plain hard to understand.

But here we have a case in which ideational consensus appeared to evaporate very quickly. What the ecological approach shows us is that any policy consensus about what to do after an economic crisis is likelier to be more fragile than we often assume – and we don't need to look for factors like organized interests who try to hijack the policy agenda in order to understand why a consensus can fall apart. The greater attentiveness to *contingency* in this framework is, in my view, one reason why it offers much promise for scholars interested in tracing the effects of ideas on economic policies.

It should be clear that I very much admire Farrell and Quiggin's article. I don't have any large complaints to air in this symposium. But the piece raises several issues that I think deserve more attention than they get. I focus on two questions below.

First, what kinds of methods are best suited for discerning the degree of policy consensus in a field like macroeconomics? Farrell and Quiggin's method is, as they admit, "not exhaustive" (p. 273); they cite some public statements from famous economists and interviews they conducted with Olivier Blanchard, Paul Krugman, and unnamed European officials (pp. 273-74), which add up to a picture of the mass of "respectable" economists lining up behind old Keynesian ideas and a smaller group of radical dissidents (aligned with politically conservative forces in the U.S.) on the outskirts of the debate. I don't disagree with their interpretation – given that traditional monetary policy wasn't likely to be effective at the zero lower bound (a point that even John Cochrane accepted), and that New Classical views seemed so out of step with the facts of the crisis as to be especially economically harmful – that the convergence around fiscal stimulus as good policy is not surprising. But the economics field is large and varied, and we might want to have a better sense of how widely shared the apparent consensus is below the ranks of a few superstars.

Expert opinion surveys provide another – though undoubtedly imperfect – way to try to gauge the degree of professional consensus on "hinge" issues. The IGM Economic Experts Survey is one possible data source, though the sample sizes are small, the individual respondents' answers are public, and the underlying purpose of this survey may well be to showcase the consensus among high-status economists. I was interested in tracking economic consensus in the midst of the crisis, and sent out my own online survey in September 2010 to a list of 1,156 professional economists who were listed as full-time faculty on the websites of the top-30 ranked departments in the world.[1] Getting economists to complete the survey was a challenge: the response rate to my 10-question survey was just 19% (N = 219). (Though based on their self-reported characteristics, the pool of respondents looked pretty similar to the larger sample of economists who received the survey by email.) Among other questions, I asked respondents whether they agreed with the following statement: "*expansionary fiscal policies are self-defeating. Governments should, in general, pursue fiscal discipline*." The majority of the respondents (61%) to my survey disagreed; 32% either strongly or moderately agreed with the statement, and 7% reported that they had no clear opinion on the issue. That seems to fit well with Farrell and Quiggin's argument about the post-2008 consensus. But some interesting variation pops up when we look at responses by different types of economists. I asked the respondents to slot their primary research interest into one of 15 categories. Among the self-identifying macroeconomists (N = 41), 49% claimed *agreement* in the fall of 2010 with the anti-fiscal expansion statement and 47% disagreed with it. Contrast that with the proportions of applied micro (24%), labor (22%), and development economists (8%) who said that they agreed with the statement. One reason to look at both the views of "star" economists and a sample of the wider profession is to see whether it is in fact the case that if policies go in a Keynesian direction, that this advantages the economists in the professional ecology who supported those views. If the fact that thought leaders mostly lined up on the side of stimulus, which prevailed as the response in rich countries to the crisis, and elevated the status of Keynesian views, one would have expected to see in the survey responses a much less even split in the views of macroeconomists over the issue of fiscal expansionism.

The second question concerns the ways in which professional ecologies are investigated and described – and how those ecologies can change. In the U.S. and Germany, Farrell and Quiggin argue, there were formal institutional pathways (the CEA and the CEE, respectively) that connected the world of economists and policymakers. I wonder why these are the only intermediaries that are discussed in the article; surely there are other venues in the "ideas industry" through which "consensus" views are crafted and disseminated. The ecology of macroeconomics is also heavily U.S.-centric in this article (p. 272). What we learn is that economics is partially globalized; someone like Paul Krugman can go to Germany but a German economist is likely not to have much impact on views in America. Perhaps this is why the article is scant on details of the ecology of the German economics profession.

And, finally, I wonder what Farrell and Quiggin think about the durability of the structures that channel knowledge both within the economics profession and across ecologies. I

[1] For those readers who are curious about the survey, I will post the questionnaire, an overview of the results, and the dataset of (anonymized) responses on my personal website when this symposium becomes available: http://faculty.wcas.northwestern.edu/~scn407/ResearchandData.htm

started my comment with a reference to a heterodox economist – Hyman Minsky – whose ideas skyrocketed in status during the 2008 crisis. Minsky was by no means a low-status economist, but he was based at Washington University for most of his career and was not in the echelon of Ivy- and IFI-affiliated "stars" that played such an outsized role in Farrell and Quiggin's story. But one wonders whether these structures that centralize status and authority around a few stars are starting to crumble. It was striking how the economics blogosphere sprung up as a prominent alternative channel for the distribution of heterodox ideas in the wake of the crisis. "Market monetarist" views may still be on periphery but "the first economic school of thought to be born in the blogosphere" (according to the *Economist*) and other unorthodox views circulating among subgroups are likelier to enter into policy realms during periods of institutional upheaval (such as the one we now appear to be in). When "it" happens again these economic renegades may have their day.

THE AUTHORS RESPOND

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We are extraordinarily grateful to the symposium contributors for their generosity in responding to our article. We wrote it in the hope that people would debate it, take up what they found useful, and build on points of disagreement as well as agreement. All of these responses do that and more.

Paul Krugman points out that Keynesian economists had had long argued that conventional monetary policy loses traction when interest rates get close to zero (Krugman 1998, Eggertsson and Woodford 2003), and correspondingly that fiscal policy becomes more effective than in normal conditions. Conversely, as Krugman (1998) observed, the Ricardian equivalence position underlying the New Classical critique of fiscal policy also implies that expansionary monetary policy must be ineffective.

However, neither side presented their positions in a way that undermined the appearance of consensus. With the notable exception of Krugman himself, Keynesian analysis of the zero lower bound focused more on the case for unconventional monetary policy (such as 'helicopter money' and nominal income targeting) than on fiscal stimulus. For example, Eggertsson and Woodford (2003) focused on Optimal Monetary Policy and included 'a minimal specification of fiscal policy only for the sake of closing our general-equilibrium model'.

On the other side, New Classicals supported central bank independence and inflation targeting. Since they regarded the economy as self-stabilizing, they did not see the need to stress their rejection of the idea that monetary policy could stabilize short-term fluctuations in output.

Hence, the apparent consensus of the Great Moderation period concealed fundamental disagreements which emerged when the Global Financial Crisis and the subsequent push for austerity. The obvious inadequacy of New Classical answers to the crisis meant that advocates of this position either shifted to a Keynesian position or (more commonly) remained silent in the immediate aftermath of the September 2008 meltdown.

Krugman also points out how justifications for austerity were invented on the fly, and maintained in the face of contrary evidence. In the US, this perhaps presaged a more general collapse of respect for evidence and expertise on the political right. This collapse raises questions as to whether the role of ideas in politics is undergoing a fundamental shift in the US (and perhaps UK), in which the whole idea of expertise becomes an issue of partisan contention. However, the European experience fits more neatly into the framework of shifting consensus and dissensus we have set out.

Elizabeth Popp Berman says that she is skeptical that the "hinging dynamic" we emphasize explains on its own how the case turned out. We agree – our account sets out less to provide a monocausal explanation than to show that hinging was important, and figure out how it worked. We agree with her suggestion that her own work on US antitrust policy and

Jeffrey Chwieroth's research on the IMF provide important comparative cases (and would specifically welcome the cross-disciplinary work that such a comparison would involve).

All this said, we think that the factors that she emphasizes – the causal impact of the crisis itself, and disagreements among Keynesians about the appropriate tradeoff between debt and fiscal stimulus, are more easily incorporated into our framework than she believes. We agree with Berman and Blyth that crises often provide a crucial initial shock, but look to build on Blyth's suggestion that one needs to theorize the relevant power relations and ideational dynamics to understand *which* paradigm will prevail after the crisis. Our account tries to lay out just such an account of the relevant power and ideational mechanisms.

We incorporate disagreement over debt and stimulus as one of the key factors that allowed economists like Alesina to split the opposing coalition. It is certainly possible that this disagreement played a more direct role than we think and we would welcome future research that tries to test this.

Andrew Baker wants us to pay more attention to electoral considerations. As we understand his argument, he is saying that the power of expertise may vary as a result of politicians' rhetoric when they try to win elections. This proposed mechanism would incorporate the public in a way that we do not really do in our article, which concentrates on interactions between experts and policy makers. We think that in general, Baker's arguments are plausible.

However, we also think that they are much less relevant to the case we look at than the case that Baker is most concerned with (UK debates over austerity). For sure, German politicians inveighed in public against experts who said unpopular things. However, they still found themselves obliged to follow their advice over stimulus (albeit, as we stress in our article, for a variety of reasons). In the US, Republican politicians did not, as best as we were able to discover, devote much time to tearing down economic experts during the 2008-2010 period.

However, as noted above we expect that the mechanism invoked by Baker will likely play a more important role in US economic decision making in future. It has certainly played an important role in areas such as climate change for some time.

Finally, Stephen Nelson raises some extremely interesting points for future research. One implication of our arguments (which we do not spell out as clearly as we could) is that 'consensus' may be as much apparent as it is real, to observers within and outside the expert field, because those who do not agree with the perceived consensus have good professional reasons to stay quiet. This helps explain why Keynesianism surged during the crisis – it had never been as fully suppressed within the discipline as it seemed. It also may help explain – if Nelson's survey data is representative – why many economists were happy to make overt anti-Keynesian arguments as soon as they felt legitimated to do so. Economics is as liable to pluralistic ignorance as any large community.

It could also be, as Nelson suggests, that economics blogs create structures that are more open to new ideas than in the past. As Krugman (2015) has said in the past, economics is "an interlocking set of old boys networks," but public interest in ideas from Minsky and others should signal to economists that they ought to sit up and pay attention. Blogging – to the extent that it allows elite economists, non-elite economists, sociologists, informed amateurs, and political scientists to talk on equal footing – can in principle promote diversity. However, it is not at all clear that blogs are less vulnerable to 'star' dynamics than the economics academy. Even in 2004, the distribution of links among blogs was highly skewed, suggesting a clear hierarchy (Farrell and Drezner 2008). Now, when major blogs have largely been assimilated into professional media, the hierarchies are likely even clearer. As the literature on the statistical topology of large scale networks discusses, human social networks in general tend to be characterized both by highly skewed distribution of social connections, and by people with high numbers of connections tending to associate preferentially with each other (Newman and Park 2003). This suggests that even when information channels change, they are likely to change so as to favor new elites rather than to disempower elites in general.

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