

Consensus, Dissensus and Economic Ideas: Economic Crisis and the Rise and Fall of Keynesianism

Abstract: During the recent economic crisis, Keynesian ideas about fiscal stimulus briefly seemed to form the basis of a new expert consensus about how to deal with demand shocks, which however soon collapsed into a continuing dissensus, with important consequences for policy. Existing approaches to ideas have difficulty in explaining this outcome, as do more conventional bargaining accounts. In this article, we propose that sociological arguments about professions and spaces of political contention as ecologies provide a better understanding of the puzzle of Keynesianism's rise and decline. The internal dynamics of prestige and status within the profession of economics intersected with policy arguments between states so as to make macroeconomic policy a 'hinge' issue, over which coalitions in both ecologies contended. This explains how Keynesian economists and political actors worked together in the first phase of the crisis to advocate for and implement fiscal stimulus. It also explains why aggrieved policy actors, who did not favor stimulus could help disrupt the apparent consensus in the second phase of the crisis by promoting the views of dissident economists.

Introduction

The historical trajectory of Keynesianism has played a crucial role in debates about expert knowledge and political economy (Hall 1989; Weir 1989) and domestic and international order (Blyth 2002; Ruggie 1982).¹ A core Keynesian claim - that fiscal stimulus allows states to escape

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problems of persistent low demand - enjoyed a limited revival during the recent economic crisis.² When the urgency of the crisis became clear, major industrialized states used fiscal stimulus to try to limit the damage to their economy in 2009-2010. Yet prior to 2007, there was an apparently strong consensus among economists that Keynesianism *did not work*. Why then did a Keynesian consensus about the proximate causes of the economic crisis emerge so quickly? And why did it collapse so quickly after 2010, giving way to continuing dissensus between Keynesians and their pro-austerity antagonists (Blyth 2013a)?

In this article, we argue that neither traditional approaches to political economy nor currently dominant idea based approaches explain this. Instead, we turn to an emerging literature on *sociological arguments about professions*, arguing that macroeconomic policy created a ‘hinge’ issue affecting struggles both within the economic profession and among political elites. By understanding how these two fields of contention came to intersect, so that first the contours of disagreement and agreement among economists came to shape contention among policy makers, and then the contours of disagreement and agreement among policy makers came to shape contention among economists, we can better understand the dynamics of the rise and fall of an apparent Keynesian consensus.

Professions and ecologies in the study of international political economy

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² NB that although this claim became broadly identified with Keynesianism during recent debates, historically-existing Keynesianism is far more complicated, both as theory and as empirical practice. To preserve a simple exposition, we adopt the more recent short-hand identification of Keynesianism and stimulus strategy in this article.

Scholars of political economy have long studied the relationship between ideas and politics (Ban and Blyth 2013; Barnett and Finnemore 2004; Berman 1998; Blyth 2002; McNamara 1998). This debate initially took place under the broad rubric of historical institutionalism (Blyth 2003), although recent work in historical institutionalism has moved away from ideas and sociology towards rational choice.³ Most recently, international relations scholars have begun to study professions - self-conscious and self-organized groups of actors, with access to specialized abstract knowledge, who use this access to maintain and increase their social status - in the international economy (Ban 2016; Chwieroth 2009; Seabrooke and Tsingou 2014), building on sociologists' work on international (Faulconbridge and Muzio 2008; Fourcade 2006; Harrington 2012) and national professions (Abbott 1988). Professions can work both as 'transnational communities' (Djelic and Quack 2010) and as 'global governors' (Avant et al. 2010), to shape international politics (Seabrooke and Tsingou 2014). They co-exist with other collective actors in a complex system of ecologies, competing and collaborating over who has jurisdiction over particular tasks and activities.⁴ Furthermore, different subgroups may struggle with each other within a particular profession, so that the profession itself is an ecology. Subgroups within one ecology may seek to reproduce themselves in another, creating 'avatars' (Abbott 2005; Seabrooke 2014). For example, Elizabeth Berman (2016) identifies how economists reshaped antitrust policy by creating an avatar within the legal academy. On other occasions, subgroups in different ecologies seek to work together on 'hinge' issues that reward each sub-group in its respective ecology, allowing them to work towards mutually compatible goals (Abbott 2005). In

³ See (Blyth et al. 2016; Farrell and Finnemore 2016) for arguments for increased engagement between historical institutionalism and sociological institutionalism over the role of ideas.

⁴ As Abbott himself notes, his understanding of an ecology has clear similarities with Pierre Bourdieu's concept of the 'field,' which in turn has had considerable influence in sociology, and more recently in international relations.

nineteenth century New York, for example, disputes in the medical profession between homeopaths and ‘allopaths’ became linked to the broader ecology of politics (Abbott 2005). Medical licensing became a hinge issue because it allowed the homeopathic faction in the medical profession to push against licensing requirements that would advantage their competitors, while allowing the democratic radical faction in politics to reinforce its partisan advantage by opposing licensing and trumpeting its faith in the reasoning ability of the ordinary citizen.

Existing approaches to expert consensus

Traditional international relations debates turn on the influence of a group with authoritative specialist knowledge over a politically important set of actors.⁵ Typically, they raise two questions. First - do ideas have political consequences? While ideational scholars argue that they do, skeptics have suggested that policy makers are driven not by changes in economic ideas, but by pre-defined interests.⁶ Second, if economic ideas do have consequences, how do they work? Here, scholars have argued over whether economic ideas influence policy makers through legitimacy (Finnemore and Sikkink 1998; Haas 1992), coalition building (Blyth 2002), organizational dynamics (Ban 2015a; Chwieroth 2009) or coercion (Nelson 2014). The existing literature largely assumes that the key relationship is one way - from experts with ideas to policy makers with executive capability.

⁵ See (Hirschman and Berman 2014) for an excellent recent survey of the debate.

⁶ See (Drezner 2007) but also for a quite different perspective, (Drezner and McNamara 2013); for an overview see (Woods 1995).

This helps frame the role of expert consensus during the recent economic crisis. Here, we define expert consensus as an ‘apparent consensus’ (Urfalino 2007) within the relevant community of experts regarding how best to conceptualize, and hence solve, a significant given problem. This allows us to study the formation and dissolution of a specific consensus around the Keynesian conceptualization of economic crises as a self-perpetuating problem of weak aggregate demand, which is best solved through fiscal measures such as increased government spending. Apparent consensus within the relevant community of experts will increase its policy influence, while dissensus will decrease it (Cross 2013), allowing policy makers to pick and choose expert accounts of the problem and solution that justify their prior preferences. We emphasize that consensus need only be apparent to work; even if many experts quietly disagree with a consensus, their silent heresy will be invisible to policy makers and hence ineffectual. Nor does expert consensus completely constrain policy makers (Berman and Pagnucco 2010); it simply raises the material and social costs of dissent.

Conceptualizing consensus and dissensus in this way allows us to ask whether the degree of expert agreement or disagreement over Keynesianism has visible consequences for policy makers. Here, we are less interested in *measuring* the consequences of expert agreement or disagreement than in simply assessing whether they were reasonably consequential. First, if expert debate was irrelevant to policy makers, then *all* ideational accounts (including our own) are implausible. The most plausible counter-explanation would be one in which state level policy makers with asymmetric power (based on market size) and exogenously fixed preferences bargained over their preferred policy outcomes (Drezner 2007; Elkins et al. 2006; Krasner 1991). Different outcomes would be the result of visible shifts in bargaining power rather than any change in the collective beliefs of experts. The sudden resurgence of Keynesianism in 2008-2010

would be a product of changing relative market size of pro- and anti-Keynesian countries, as would be the collapse of the Keynesian consensus in late 2010. Figure 1 illustrates the underlying assumptions of standard bargaining accounts.

FIGURE 1 ABOUT HERE

More specifically, what *drives* expert consensus and dissensus if they have consequences? The existing literature offers three major explanations.

The epistemic communities approach would lead one to focus on how disinterested inquiry within a scientific community can lead to the creation of a legitimate consensus (Cross 2013; Haas 1992). Under this approach, shared normative and principled beliefs, common causal understandings, notions of validity and goals centered on improving human welfare (Haas 1992) will guide expert communities to shared judgments that persuade policy makers precisely because they are based on a “well-reasoned consensus among those in the best position to know” (Cross 2013, 147) In the economic crisis, it would predict that an epistemic community of experts would formulate and revise their ideas about Keynesian stimulus by testing them against the available evidence, and that where they were able to create a consensus, it would prove compelling to policy makers across different states.

The second explanation argues that expert economists arrive at consensus through hierarchically guided forms of socialization, which select on individuals with certain kinds of beliefs, and strongly discourage dissent from dominant views, hence creating great ideological stability (Nelson 2014). Here, it would suggest that the previously existing consensus in which fiscal stimulus policies were more or less ruled out of theoretical and empirical discussions, would

continue to prevail and shape the options open to policy makers, through a combination of persuasion and coercion.

Finally, the organizational approach examines how internal processes within specific organizations - professionalization, administrative recruitment, adaptation, learning and entrepreneurship - affect consensus building among professionals (Ban 2015a; Chwiero 2009). Here, professional economists may reach new consensus after vigorous internal debates, which are shaped by organizational structures and recruitment patterns, and population dynamics as older economists retire and are replaced by newer ones. This account would focus on how the forces of turnover and organizational change in the relevant expert organizations reshaped ideas about Keynesian stimulus in ways that would then prove persuasive to outside policy makers. Figure 2 illustrates the causal relations underlying these accounts.

FIGURE 2 ABOUT HERE

A ‘hinging’ approach to expert consensus

The ideational accounts summarized above focus on *internal* dynamics among experts, allowing for learning, but providing relatively little scope for feedback from the policy makers they influence. Our alternative, like (Chwiero 2009), treats economics as a profession, but emphasizes how macroeconomic policy debates may create a ‘hinge’ between the profession of economics and the ecology of economic policy makers, providing opportunities for sub-groups to collaborate across ecologies. It seeks to identify (a) the characteristics of the internal ecology of the discipline of economics, (b) the relevant aspects of the ecology of macroeconomic policy making during the economic crisis, and (c) the relationship between the two.

Following in particular Fourcade (2006; 2009) and her colleagues (Fourcade et al. 2015; see also Bockman and Eyal 2002; Van Gunten 2015), the *internal ecology of economics* has four important structural characteristics that shape contention between factions and sub-groups of economists. First, economics is unusually cross-national in scope as a profession (Fourcade 2006), despite different ‘national styles’ associated with different states (Fourcade 2009). Second, it is dominated by US (and to a much lesser extent UK) economists and institutions (Fourcade 2006; Cardoso et al. 2010; Evans and Finnemore 2001), Third, economics is highly hierarchical, as compared to other disciplines and professions (Fourcade et al. 2015; Han 2003), so that a small number of elite economists and institutions dominate collaboration networks and have outsized influence over publication and hiring. Finally, the economics profession has significant overlap between academia and economic policy making, most notably the Federal Reserve (Campbell and Pedersen 2014) and international institutions, especially the IMF, the World Bank and the OECD (Nelson 2014).

These structures shape the dynamics of contention and cooperation between sub-groups within the economics profession. Interactions between different sub-groups of economists are mediated through the relationships between a small group of ‘star’ or ‘core’ economists (Goyal et al. 2006). These economists are overwhelmingly located at US departments or in elite roles at US or international institutions. However, these star economists’ self-understanding and status in part depends on their international policy influence (Fourcade 2006, 186). This creates the basis for a two way process of exchange within the discipline, where economists in non-US jurisdictions look to star economists in the US for legitimation (Bockman and Eyal 2002; Mandelkern and

Shalev 2010), while ‘core’ economists gain legitimacy when their ideas have consequence outside the US.⁷

During the period in question, these broader structures affected contention between two important subgroups in macroeconomics (Önder and Terviö 2014). On one hand, Keynesians argued for active government management of an economy that could fall into traps of under- or over-production (Blinder and Snowdon 2001), providing a rationale for counter-cyclic fiscal policy. On the other, monetarists and scholars of the New Classical Macroeconomics argued against the purported benefits of macroeconomic stabilization policy (Blinder and Snowdon 2001). Over the 1980s and 1990s, freshwater economists succeeded in shaping an apparent consensus within the academic profession that Keynesian policies had dubious microfoundations and policy benefits (Feldstein 1981; Colander 2007; Mankiw 2006). Keynesians sought to respond through ‘New Keynesianism,’ which incorporated some modeling techniques from freshwater economics. However, their revised approach effectively sidelined fiscal tools in favor of monetary policy (Krugman 2009; Blanchard 2008; Quiggin 2010; Blinder 2004), even though research began to emerge in the early 2000s arguing that fiscal policy could be effective (Ban 2015b).

The *general ecology of economic policy making*, like most political ecologies (Abbott 2005), is relatively amorphous. However, during the 2008-2012 economic crisis, a specific ecology of international macro-economic policy making emerged, with structures that shaped (a) the contours of decision-making, and (b) the distribution of knowledge. There was no international institution which was formally charged with macro-economic policy coordination, so that the

⁷ However, see Ban (2016) and Helgadóttir (2016) for discussion of how national systems of economic thought can exert their own counter-influence.

major debates were inter-state interactions in bilateral and loose ‘club’ fora such as the G20. As bargaining theorists might have predicted (Drezner 2007), these debates became organized around the disagreements between states with big enough markets to have clout – specifically the US (which interpreted the crisis through the lens of the 1930s history of depressed demand, and sought to coordinate advanced industrial economies around a common approach based on maintenance of free trade relations and economic stimulus), and Germany (which interpreted the crisis as a consequence of the failure to create and implement strong rules in the financial sector, and sought to resist US demands (Blyth 2013a; Drezner 2014). Potential challengers to the Western order such as China preferred tacitly to cooperate with the US position from the sidelines (Jiang 2011). International organizations, including the IMF and the OECD, translated expert economic knowledge into non-binding policy arguments and prescriptions.

Within the US, the executive branch set the agenda on international macroeconomic coordination (Drezner 2014; Lizza 2009; Scheiber 2012; Suskind 2011). Congress did not play an explicit international role, but did act as a potential restraint on international deals, which frequently involved coordinated domestic actions across countries. Interconnections between the administration and the economics academy played a key role in shaping policy (Campbell and Pedersen 2014), especially through the Council of Economic Advisers, a body composed entirely of highly respected academic economists appointed by the administration (Schultze 1996; Wallich 1968), which was expected both to provide frank internal advice and advocate for the administration’s policies in public debate (Schultze 1996).

Within Germany too the key actor was the federal government. Germany’s economics “knowledge regime” involves a variety of federal and private actors (Campbell and Pedersen

2014), but the crucial intermediary body is the Council of Economic Experts (Sachverständigenrat), a highly influential body of well respected economists, which provides economists with formal input into German policy debates (Campbell and Pedersen 2014; Wallich 1968). Unlike the Council of Economic Advisors, the Council is not formally a part of government, is non-partisan, and has considerable independent political clout (Wallich 1968). It is made up of five prominent academic economists, who are typically directly involved in international debates over economic theory.

Germany also was embedded in the European Union, an organization whose recent structures – most notably the Eurozone’s ‘Growth and Stability Pact’ and European Central Bank - were intended to restrain states from loose fiscal policy (Heipertz and Verdun 2010). The dearth of formal institutional arrangements, combined with the importance and sensitivity of the questions, meant that inter-state politics played a dominant role, although the European Commission sought opportunistically to expand its competences (Jones 2007). Germany, as the largest and most influential state was especially important in these intra-EU discussions, helping influence e.g. the European Central Bank (Blyth 2013a).

This mapping suggests a reciprocal rather than one-way relationship between the profession of economics and economic policy makers. Specifically, it suggests that economic policy during the crisis was a ‘hinge’ issue for sub-groups in both the economics profession and policy makers, giving different sub-groups reason to work towards compatible goals. This potentially *explains the shifting politics of consensus and dissensus*. We illustrate this account’s assumptions about the relationship between ideas and policy in Figure 3. Bargaining accounts assume that change in professional consensus have no consequences for changes in policy.

Standard ideational accounts assume a one-way causal relationship from professional consensus to policy outcomes, although they disagree on what the exact mechanism is. Our account, in contrast, assumes a reciprocal relationship between professional consensus and policy influence, as long as actors in both the professional and policy communities both focus on a hinge issue.

FIGURE 3 ABOUT HERE

Apparent consensus among economists advantages political decision makers whose preferred policies are in line with the consensus, while disadvantaging those whose preferred policies are at odds with it. The former can use the consensus to increase the costs of dissidence for the latter. However, because the internal prestige structures of economics favors economists who have perceived policy influence, disadvantaged policy makers have reason and opportunity to destabilize professional consensus, by elevating dissident economists in policy discussion. Exactly because expert consensus has policy consequences, policy actors have strong incentive to reshape and destabilize expert consensus that they do not like.

This potentially explains why Keynesian economists and economic policy makers who interpreted the Great Recession as in part a crisis of demand worked together. Keynesian economists' ideas had been marginalized, motivating them to legitimize these ideas as the obvious basis for interpreting and resolving the crisis. Their goal was compatible with the goal of those economic policy makers (especially in the US) who urgently wanted to shore up a global economic order based on free trade and liberalism that suddenly appeared very fragile. These policy makers were less interested in academic debates than policy consequences, but they

agreed the problem was a crisis of demand and urgently wanted to coordinate states around a coordinated stimulus.

However, other policy makers also had good reason to coordinate with economists. Policy makers in Germany disliked Keynesianism and saw the crisis as a consequence of ruleless Anglo-Saxon capitalism. They did not need to build consensus (although they might have liked to), but instead to disrupt the existing consensus among economists, so as to provide themselves with greater freedom to undertake the actions they saw as appropriate. Events provided them with the opportunity to help legitimize economists whose ideas fitted with an alternative account of the crisis.

In the remainder of this article, we test how well these different accounts explain the observed facts - the sudden emergence of a new Keynesian consensus in 2008-2009 among advanced industrialized democracies, the apparent conversion of Germany (the major hold-out against Keynesian demand management policy) to fiscal stimulus in 2009, and the breaking down of the apparent consensus in 2010. Since the crucial debates were conducted via publicly visible speech, we rely substantially on publicly available material in order to map out the debates, supplementing this with interviews with a small number of key actors who represented different viewpoints in the debate. While this strategy is not exhaustive, it plausibly maps the major lines of argument during the relevant period.

Our intention is to examine how the structures associated with different accounts explain the ways in which debates unfolded. Following Krebs and Jackson (2007), we do not try to determine the specific micro-mechanisms through which ideas had consequences. Instead, we ask whether more traditional arguments about bargaining and ideas can explain observed

outcomes, or whether instead we need to closely examine the two-way interaction between the relevant professional community and policy makers across the hinge of macroeconomic policy debates.

Hence, our argument deliberately does not make any universal claim that actors were guided by a logic of communicative action, or sincere persuasion, or, for that matter, strategic manipulation. Instead, it focuses on the causal consequences of the *larger structures* within which a variety of actors, with a variety of perspectives, aims and approaches to communication, were embedded (see also Ban 2016). We think of ideas as diffusing through processes including learning, lip-service, imitation and two-way communication, and look to analyze how the processes of diffusion were shaped by professional and policy structures and networks.

The Resurgence of Keynesianism in the Crisis

How did international debates among economists shift so much in the 2008-2009 period? The Keynesian resurgence was not entirely a product of the economic crisis. Keynesianism had begun to re-emerge before the crisis proper hit. The Bush administration introduced a bipartisan stimulus package in early 2008, believing that it faced a short ‘V’-shaped recession (Bernanke 2015; Paulson 2010). Dominique Strauss-Kahn, a pragmatic Keynesian (Ban 2015a), and the Managing Director of the IMF, pressed for fiscal action at Davos, prompting Larry Summers to note that “This is the first time in 25 years that the IMF managing director has called for an increase in fiscal deficits” (Giles and Tett 2008). However, it was only as the recession began to change into an actual crisis from September 2008 on, that Keynesianism really began to shape debate.

By late 2008, economists such as Barry Eichengreen (2008) were making the case for aggressive coordinated fiscal policy. Under Keynesian theory, active fiscal policy may be necessary to break out of a liquidity trap, helping the economy return to stability (Quiggin 2010). However, in an open global economy, Keynesian demand stimulation strategies may just boost demand for imports, limiting their domestic benefits, and creating incentives for free riding. Hence a coordinated international response was needed.

Anti-Keynesian economists failed to make a politically visible case against Keynesian policy. As the IMF's then chief economist, Olivier Blanchard (Interview with Olivier Blanchard, April 2011) noted, "it is interesting that the fears about higher debt and the problem of fiscal consolidation were nearly totally absent from the debate" in the first stage of the crisis. While Barro and Redlick (2009) did make the textbook argument that Keynesian policies would be self-undermining if individuals rationally anticipated the future, they found little support from fellow economists. Eventually, other anti-Keynesians, such as Eugene Fama and John H. Cochrane, both at the University of Chicago, made similar arguments in short papers (often on their personal webpages). However, their arguments were swiftly greeted with counter-arguments from Paul Krugman, Brad DeLong and others, published in higher visibility venues. Although anti-Keynesians had succeeded in reshaping theoretical arguments in economics, they were often less experienced in policy debates. As described by Paul Krugman (Interview with Paul Krugman, April 2011):

Freshwater economists were not that keyed into policy. ... It's been a selection process to some extent. ... Initially, Barro was there, but on the domestic side, you were talking about people who were not economists, or who were Austrians [i.e. subscribers to a

minority approach in economic theory and libertarian philosophy associated with von Mises and Hayek]. ... if your view about policy is mostly that the government shouldn't do it, it's possible to write two articles a month saying that, and if you are Milton Friedman you can carry it off and get a large audience, but ... it's harder than it is to be weighing in on stuff the government should be doing.

The result was that these criticisms were isolated and marginalized.

I don't recall a lot of criticisms back in late 08-09 that were sticking in any way. You are always going to get that craziness on the back pages of the Wall Street Journal but I don't think many people take that seriously (Interview with Jared Bernstein, former economics adviser to Vice-President Joseph Biden, July 2011).

US Republicans tended to base their counter-arguments to the administration's stimulus policy on apparent common sense claims about 'runaway government spending,' (Blinder 2013) rather than expert economic theory. The conversion of free market advocates such as Richard Posner and the prominent anti-Keynesian Martin Feldstein to the case for stimulus (Uchitelle 2009) helped bolster the impression of a new apparent consensus about the benefits of fiscal stimulus among expert economists.

The new consensus was swiftly transmitted through international institutions such as the IMF. On November 15 2008, Dominique Strauss-Kahn proposed a global fiscal stimulus program to the G-20, suggesting a stimulus of 2% of world GDP was necessary to help maintain growth (Andersen 2009). The absence of dissent within the IMF, an institution which had until

recently been associated with very different economic ideas, was remarkable, even if it was also shaped by hierarchical relations (Ban 2015a). As described by Blanchard, there was:

incredibly little debate within the institution, relative to some of things such as the debate we had on capital controls, which had been gigantic. ... I don't know if everyone loved it, but basically the troops just went along (Interview with Olivier Blanchard, April 2011).

Senior officials at the European Central Bank were far more skeptical about fiscal stimulus, which sat uncomfortably with the Stability and Growth Pact, repeatedly stressing financial confidence, EU rules on deficit reduction, and the need to return to fiscal consolidation.⁸ However, they systematically declined to criticize Keynesian policies as such (Trichet 2009). As described by a senior ECB official,

At the time, we were cautious in saying well, there may be some in a better position fiscally, notably Germany and a couple of others, where we we wouldn't necessarily object, but there were others who were in no position to open the purse and lavishly spend [on] all sorts of discretionary spending programs (Interview with senior ECB official, March 2011).

While ECB officials were privately unhappy about Keynesian demand stimulation, they refrained from openly expressing their disquiet (ibid). The expert consensus among economists over the benefits of Keynesianism was not only the result of prominent conversions, but of reticence among the unconvinced.

⁸ The full corpus of speeches is available at <https://www.ecb.europa.eu/press/key/speaker/pres/html/index.en.html>.

This apparent agreement had important consequences for the actions of politicians. Before the crisis, policy makers in the advanced industrialized democracies had largely abandoned activist fiscal policy (Blinder 2004). However, after the crisis hit, policy-makers urgently needed to identify tools to shore up an international economy. This created a confluence of need between (some) expert economists, who wished to establish the legitimacy of Keynesian analysis and Keynesian policy, and (some) policy makers who urgently needed tools that to address the crisis. Politicians started to identify the economic crisis as involving a crisis of demand, committing in November 2008 at the first summit of the G20 to introduce “fiscal measures to stimulate domestic demand to rapid effect.”

This tendency was especially marked within the US government. The incoming administration included several prominent academic economists, who were either already tacitly Keynesian or had become convinced thanks to the crisis (Scheiber 2012). They agreed that a substantial stimulus was needed, while disagreeing over its size. (Geithner 2014; Scheiber 2012; Suskind 2011; Lizza 2009). The administration’s deliberations were strongly influenced by input from outside economists. Paul Krugman’s columns advocating a more activist economic policy had visible influence on Obama’s thinking (Suskind 2011). Other pro-Keynesian economists such as Joseph Stiglitz, Laura Andrea Tyson, Kenneth Rogoff and Alan Blinder provided important informal support for active fiscal policy (Suskind 2011).

These internal government deliberations were reflected in a stream of public communications aimed at making the economic case for a stimulus both to the expert community and the broader public (e.g. Council of Economic Experts 2009; Romer 2009) . The Council of Economic Advisers issued a series of reports that used data and economic modeling to argue e.g. that the

stimulus monies had been spent wisely, that it had saved hundreds of thousands of jobs, and that it had contributed a substantial amount to US GDP (Council 2010).

The impact of economists on European debates was less direct, but equally important. As described by one key participant in European policy debates:

The economists were in agreement in Europe to a large degree and the politicians were more reluctant, more uncertain because this was so much of a change compared to the usual way, the usual priorities. They were slower to be convinced. ...I think that what political leaders got from the economists was that people traditionally opposed to fiscal stimulus and fiscal deficits ...suddenly had a different view. That impressed the politicians (Interview with Jean Pisani-Ferry, then-head of Breugel, November 2010).

By advocating straightforward Keynesian remedies, economists made it difficult for governments (who wished to be seen responding to the crisis) to avoid some form of fiscal stimulus. Governments began to engage in fiscal policies aimed at boosting demand through direct government spending. The beginning came in November 2008, when the UK announced a UKP 20 billion package, justifying their intervention in advance with explicitly Keynesian arguments (Hennessy 2008) and China more or less simultaneously announced a large boost in domestic spending (Jiang 2011; Skidelsky 2009).

The US took a little longer because the new administration was not in place until January 2009. Incoming administration officials also wanted to coordinate an across-the-board stimulus among advanced industrialized economies, especially in the EU. For the most part, they encountered little resistance. European economists closely followed the arguments that were

taking place among elite American economists within the blogosphere and via *The New York Times* and *The Financial Times* (Interviews with Ferry, senior ECB official). The European Commission, which had been largely excluded from the debate on bank rescues, seized upon a coordinated stimulus as a way to demonstrate its relevance to the crisis, preparing a plan under which each EU member state would commit to a stimulus package of 1% of GDP (Union 2008). The Commission's Director-General for economic and financial affairs, Klaus Regling, who had described Keynesians in a previous recession as "like rats [coming] out of a wall" (Schlesinger 1999) found himself to his own surprise agreeing that fiscal stimulus was the appropriate response (Interview with Jean Pisani-Ferry; see also Der Spiegel 2015).

However, one key group was visibly skeptical about Keynesianism – German policy makers. While Germany was less badly affected in the initial stages of the crisis than most other European countries,⁹ both conservatives (the CDU) and social democrats (the SPD) were primed by 'ordoliberal' ideas (Blyth 2013a; Matthijs 2016; Vail 2014) and an anti-inflation consensus among both economists and voters to oppose activist fiscal policy. The origins of the crisis in dubious banking and financial market practices also helped play to German preconceptions about economic order (Blyth 2013a). Germany's long-term hostility to stimulus policy and more particular complacency about the economic crisis led senior German politicians in both governing parties to vigorously oppose any substantial fiscal stimulus, instead clinging tightly to the earlier consensus that fiscal policy was useless (ibid.). As German Finance Minister Peer Steinbrück, put it in an interview on December 5, 2008.

⁹ Yet this did not explain Germany's policy stance. Australia too seemed at first relatively immune to the crisis, but introduced a large stimulus package before the economic indicators turned sour. Discussion with Australian Treasury Official, February, 2011.

The same people who would never touch deficit spending are now tossing around billions. The switch from decades of supply-side politics all the way to a crass Keynesianism is breathtaking. (Theil 2008)

Initially, the pressure on Germany to introduce a stimulus was largely external, emanating both from EU and US initiatives (Newman 2010). Steinbrück tried to scotch any EU level initiative in early September, claiming that “Every country is responsible for itself ...it makes no sense to burn money.” When it became clear that other member states were likely to support the Commission’s proposal, the German government grudgingly announced that this was acceptable - as long as previously announced spending counted toward the requirement (Vail 2014).

Persistent external pressures began to combine with increasing dissent within Germany, in particular from elite German economists who had been influenced by debates among their international colleagues (Vail 2014). Economists play an unusually prominent and independent role in German policy debates – public statements by the Council of Economic Experts receive extensive media coverage. From the early 1970s on, the Council had been vehemently anti-Keynesian. In 2008, after vigorous internal discussions, they did an about turn, issuing a statement finding that the initial fiscal stimulus was inadequate, and that a much stronger stimulus was needed (Council of Economic Experts 2008). This *volte face* was part of a remarkable turnaround among German academic economists more generally (Dullen 2008). Anti-Keynesians too perceived this shift as widespread in the German economics profession. In debate with Bert Rürup (the head of the Council of Economic Experts), the prominent conservative economist Stefan Homburg lamented that:

you (Rürup) and the Council of Economic Experts have told us over the years that stimulus programs do not work. You even say this in your current report! In a period of high unemployment, the Red-Green coalition did not launch any stimulus program, as it knew this would be fruitless ... we make ourselves hard to believe as economists when we fantasize, without any secure evidence about the worst crisis of all time, and then drag up recipes from the cellar that we held to be false last year. I simply cannot understand how so so many economics professors have done a complete about face [diametral ihre Position ändern]. Have they all gone crazy? [author's translation] (Von Neubacher and Sauga 2009)

In interview, Homburg elaborated as follows:

By and large, Germany followed the international mainstream, set forth by [the] US and UK. ... I think [that the reason German professors 'all went crazy'] is due to "social contagion," as Robert Shiller calls it. I was a bit angry, admittedly, because I think scientists should follow a less emotional mode. [Email interview with Professor Stefan Homburg, January 1, 2011]

Economists were not the only critics of German anti-Keynesianism. Other actors within Germany - most notably large firms and unions - started to push for a stronger stimulus. Nonetheless, the government's furious response to the Council of Economic Experts' report, combined with the more general about-turn among economists, provides strong *prima facie* evidence that the Council's report inflicted real political damage. The leader of the SPD's Parliamentary Party condemned the Council of Economic Experts as "incompetent" and "surplus to requirements," claiming that these "so-called wise men mostly produce hot air," and

proposing the institution's abolition (Frankfurter Rundschau 2008). The Minister for the Environment claimed that the Council had, in the space of a few weeks, "turned 180 degrees. They used to tell us to concentrate on fiscal consolidation above everything else, but now suddenly this is worthless" (Frankfurter Rundschau 2008). German Chancellor Angela Merkel felt it necessary specifically to attack the expertise of economists in her keynote address in December 2008 to the CDU party convention, where she complained that Germany had too often put its trust in experts that were not really experts, and should instead rely on good German household economics and common sense, forswearing any "senseless competition of billions" (Merkel 2008).

Merkel's speech accorded with increasingly vituperative comments from Steinbrück in the leadup to the European summit, describing the UK stimulus as "crass Keynesianism" which did not "even pass an economic test" (Theil 2008). The UK responded by noting "a broad international consensus that a fiscal stimulus is [the] right thing for economies now" (BBC Staff Writer 2008). However, by the time that the summit was held, Merkel had begun to moderate her position, accepting that Germany, as Europe's biggest economy, had a "responsibility" to provide its share of the stimulus package. The European Summit closed with broad agreement on an EU-wide economic stimulus of around 200 billion euro (170 billion of which would be spent by member states).

In January 2009, the German government announced a second - and much more substantive - domestic fiscal stimulus of 50 billion euro (Vail 2014). This abrupt change can in part be traced back to a meeting that Merkel held shortly after her speech, with a select group of economists

and business leaders (Walker 2008).¹⁰ They persuaded her that her continued opposition to a stimulus was becoming a political liability. However, this was not a simple matter of electoral calculation. Although a federal election was scheduled to take place in later 2009, the conventional partisan logic was dampened by the fact that the two parties potentially capable of winning, the CDU and SPD, were both in government, and both directly associated with an anti-stimulus position.¹¹ Instead, the shift in expert consensus, and in particular the unexpected criticisms from the Council of Economic Experts, played a key role in turning the government's reluctance to embrace stimulus into a political weakness (Vail 2014).

The resurgence of Keynesianism is difficult for both non-ideational and existing ideational accounts to explain. Non-ideational accounts, such as that of Daniel Drezner, certainly help explain which policy actors were important. In the absence of formal international institutions, political debates about macroeconomic stimulus quickly became arguments between states in which some states counted for more than others. From Drezner's perspective, it is not at all surprising that the major policy disagreement played out between two powerful states with big markets - the US and Germany. Had other countries, such as China, not been willing to go along with the Keynesian consensus, it is plausible that a three-way rather than two-way argument might have developed.

However, while power based accounts can explain which states had clout at the international negotiating table, they do not explain why the positions of those states changed over time. In particular, they do not explain why one state - Germany - moved from die-hard anti-

¹⁰ We are grateful to Marcus Walker for highlighting the prominence of this meeting in a personal communication.

¹¹ We are grateful to Nolan McCarty for pushing us to address electoral considerations.

Keynesianism to introducing a substantial fiscal stimulus package of its own. Neither Germany's international bargaining position, nor the apparent underlying preferences of its leaders changed. Germany's bargaining power if anything increased during the first period (as its markets appeared to be less damaged than those of its competitors, increasing both its potential bargaining clout and the apparent legitimacy of its mode of governance). Nor, finally, is there any available evidence that Germany changed position thanks to threats or promises made by other powerful states. The plausible channels of influence to explain this change involve ideas rather than power-based bargaining.

However, standard ideational accounts do not explain the creation of a consensus around Keynesian stimulus strategy either. The interactions among expert economists do not appear to have involved the kinds of sober discussion and testing of arguments favored by scholars who work on epistemic communities. Instead, the turn towards Keynesianism among economists resulted from processes of debate midway between trench warfare and contagion. Ideological accounts, for their part, would have predicted a far higher degree of stability in the ideas held by experts than, in fact, transpired. Finally, there is some support for the argument that personnel dynamics within organizations such as the IMF helped change their approach to fiscal stimulus (Ban 2015a). However, even here, the key consequence of e.g. the advent of younger and less orthodox economists was to increase interconnectedness between the organization and a broader academic mainstream within which the truly important ideational changes were happening (Ban 2015a).

An account that focuses on how disputes over Keynesianism created a hinge between debates among economists and debates among economic policy makers explains how the apparent new

consensus over Keynesian stimulus policy emerged through a combination of the consensus shaping efforts of a (highly visible) group of expert economists and the needs of a group of key policy makers. Factions within the academy and among policy makers favored active fiscal intervention, creating a hinge between the economics profession and policy makers. Keynesian economists saw the crisis as a vindication of their perspective, and of the urgent need to avoid the mistakes of the Great Depression (Blyth 2013a). US policy makers needed intellectual justification for active intervention within the economy.

This led both of them to converge upon a specific version of Keynesianism - which stressed his lessons on how to get out of demand traps – both to revive the intellectual capital of Keynesianism within the academy, and provide the basis for economic stimulus policies. The apparent academic consensus helped convince many policy makers who might otherwise have been skeptical to adopt a Keynesian approach. Equally, the marked political salience of Keynesianism helped to further bolster it within academic debate. At the American Association meeting in 2009, the economics mainstream shifted from marked hostility towards Keynesian prescriptions to a nearly complete apparent agreement on the value of fiscal stimulus, which built directly on (and sought to inform) the Obama administration's proposals for spending (Uchitelle 2009). As Figure 2 illustrates, fiscal policy became a hinge issue for academic economists and for policy makers in both the US and Germany. US policy makers had significant influence on (and a reciprocal relationship with) the economists responsible for the new apparent consensus on Keynesian policy, while German policy makers had no corresponding friendly and prominently visible party within the academy that they could work together with. Instead, they were told by their own Council of Economic Experts that they needed to shift towards fiscal

activism. Hence, German policy makers found themselves receivers rather than influencers of the new set of ideas.

FIGURE 4 ABOUT HERE

As conventional international relations approaches would predict, power relations helped determine which states ‘counted’ in international discussions. However, the internal dynamics of the economics profession also helped determine how economic argument intersected with policy discussion (Fourcade et al. 2015). A relatively small number of ‘star’ economists, mostly based in the US, dominated academic debate in ways that effectively encouraged those with dissenting views to convert or to remain silent. It is difficult to imagine any German economist, no matter how prominent, playing the same kind of role in US debate as Paul Krugman played in German and European discussions. What happened outside the US was relevant to star economists, both for reasons of professional legitimacy and sincere commitment, but it mattered more as object lesson than source of intellectual influence. Hierarchical relations, combined with the difficulty that anti-Keynesian economists had in finding and building a policy audience, generated a perception of expert consensus, which in turn had consequences for the policy debate.

The specific institutional bridges between academic debates and policy making also shaped ideas in important ways. In the US, the Council of Economic Advisers served as a bully pulpit for a pro-Keynesian administration. Through speeches and papers, the Council helped the administration to make a public case for stimulus policy that also reverberated within the economics profession. In Germany, in contrast, the Council of Economic Experts played an independent role, translating a consensus among expert economists into public political arguments which undermined the government’s case, rather than translating the government’s

preferences into economic debates. This visibly weakened the government's case against fiscal stimulus. Germany's decision finally to acquiesce to the consensus and adopt a very expensive stimulus plan, despite continued doubts, was of course not a simple product of the apparent consensus among economists. Other factors, including pressure from domestic interest groups intersected with the expert opinion of economists. Yet without the frame offered by expert consensus, political groups would have had great difficulty in articulating their demands and coalescing around them (Blyth 2002).

Backlash - Austerity and Keynesianism in 2010

The Keynesian revival was relatively short-lived. By mid-2010, Keynesians were lamenting that they had lost the war (DeLong 2010).

By early 2010, the financial crisis threatened the solvency of a few beleaguered governments. The economic impact of the crisis in these countries was comparable to that of the Great Depression. Nonetheless, these countries were not big enough to pose a significant threat to the global economy.

However, these cases helped dissenters in both the economics academy and policy debate to reorient the argument about fiscal stimulus to one over how and when to make a transition from Keynesian fiscal stimulus to fiscal retrenchment. In principle, both Keynesians and non-Keynesians agreed on the need to make this transition. In contrast to the 'Keynesian' policy synthesis of the 1960s and 1970s, latter-day Keynesians mostly saw fiscal stimulus as a means of dealing with economic shocks (Quiggin 2010). Keynes himself had noted in 1937 the need to accumulate fiscal surpluses during good years, so as to provide more room to stimulate the

economy during bad times (Keynes 1937). Blanchard and two colleagues sought to make the case for just such a moderate Keynesianism in a widely-circulated OECD paper (Blanchard et al. 2010). Others, who had been less convinced of the merits of Keynesianism in the first place, at least agreed that a return to normal times would be a good thing.

However, there was vigorous disagreement among economists about *when* such a transition should take place. Some economists revived the old argument that austerity - deliberate cuts in government spending - had inherent economic advantages (Blyth 2013a). Alberto Alesina, an Italian expatriate economist at Harvard, claimed together with Silvia Ardagna (Alesina and Ardagna 2009) that fiscal retrenchment could enhance countries' growth prospects by improving investor confidence (Helgadóttir 2016). Others such as Paul Krugman strongly disagreed on empirical and theoretic grounds, arguing that retrenchment might imperil a fragile recovery (Blyth 2013b).

Nonetheless, the debate among elite economists was nowhere nearly as one-sided as in 2008-2009. Important skeptics of Keynesianism were more willing to go on the record. The prominent macroeconomist John Taylor, who in the early days of the crisis had sought to frame tax cuts as a more effective form of stimulus, now argued that the historical evidence showed that fiscal stimulus did not work (Taylor 2011). Taylor, Krugman, DeLong, Fama and other economists engaged in increasingly personalized and bitter disputes over how to interpret the evidence. Nor were the criticisms confined to anti-Keynesians. As time went, widely respected economists such as Jeffrey Sachs and Kenneth Rogoff (who had previously privately supported calls for a larger US stimulus (Suskind 2011)) began to call for retrenchment. In a widely read paper, Reinhart and Rogoff argued that high debt burdens hurt growth, implying that states should move from

stimulus to budget retrenchment as quickly as possible (Rogoff and Reinhart 2010). Keynesians could surely argue against these economists but they could not easily dismiss them as fundamentally inept.

These discontented economists received visible support from policy makers who were unhappy with the prospect of continued stimulus. Alesina presented a short paper summarizing his arguments about confidence effects at the April 2010 meeting of the EU's economics and finance ministers (Alesina 2010). This paper was then cited in the meeting's official communique (Islam and Chowdhury 2012), legitimizing Alesina's arguments as a core influence on emerging European policy. Alesina's claims had a broader impact on international political debate, much to the alarm of pro-Keynesians. As the crisis seemed to abate, European Central Bank officials used public arguments about the timing of retrenchment to condemn fiscal deficits and reassert their authority (Gonzales-Paramo 2010)

Bank officials were increasingly comfortable in arguing against Keynesian fiscal stimulus, and in favor of an alternative approach which built on Alesina and Ardagna's arguments about confidence effects (Islam and Chowdhury 2012). As described by one senior bank official in interview:

we started to change tune and say "well, Keynesian multipliers are not the only thing to look at, there are also so-called confidence effects. ...the Ricardian effect ...will restrain consumption rates today which will mean that you negate the whole effect you had in mind. And vice-versa, if you can prove today that you are fiscally responsible, consumers will know that there will be no further tax increases coming, and might refrain from cautionary savings, which will help you further on the real side. ...There has been a great

paper by John Taylor at the time that looks at discretionary fiscal expansion programs in the US over 50-60 years, and found their effects to be at best ambiguous and at worst actually harmful. ... We've been doing the econometrics of this for decades now - we have come to some sort of consensus which basically went out of the window within weeks. I don't think it ever really went out of the window in the ECB.²¹

Such claims were supported by the European Commission, which began to argue against further fiscal stimulus, and in favor of initiatives (which would not uncoincidentally expand the Commission's competences) to support fiscal rectitude in the member states (Commission of the European Union 2010).

These arguments were brought to a head by the Greek crisis. During the 1990s, Greek governments had engaged in a variety of subterfuges to hide the true extent of their debt. When a new Greek government began to clean its house, and it became clearer exactly how indebted Greece was, markets began to panic. In addition to spurring reforms aimed at preventing fiscal crises in EMU member states, this helped Germany, the European Central Bank, and other actors who advocated fiscal retrenchment push for greater austerity (Blyth 2013a). The ECB's president Jean-Claude Trichet privately berated EMU member states for their persistent fiscal irresponsibility in the past, and informed them that they had little choice but to adhere rigidly to the rules if they wished to avoid future crises (Barber 2010). He also began to take a much stronger position in public debate. In an op-ed for the *Financial Times* which the newspaper described on its own front page as "strident," Trichet condemned the "oversimplified message of fiscal stimulus," and sought to build on what he described as a new consensus for retrenchment (Trichet 2010).

German policy makers' analysis of the 2008-2009 crisis as a crisis of fiscal profligacy and bad debt was reinforced by the argument that markets would brutally punish states which did not move towards fiscal austerity. While the empirical evidence was muddy (O'Rourke 2010; Rodrik 2010), the *rhetorical claim* that markets 'wanted' fiscal austerity provided a common ground between economists accustomed to lecturing governments about the important disciplining role of markets, and policy makers, who were looking to move from Keynesianism towards austerity. This time, Germany was not stymied by divergence from the intellectual consensus. There was no such intellectual consensus - instead there was a debate between those advocating (on the basis of economic reasoning) continued fiscal stimulus, and those advocating (on the basis of economic reasoning) various flavors of economic austerity. When Paul Krugman harshly criticized Germany's renewed emphasis on austerity in his *New York Times* column and in an interview with *Handelsblatt*, the head of the Sachverständigenrat responded by arguing that further stimulus was inappropriate and likely impossible. The German Finance Ministry was able to leverage this disagreement so as to position itself on one side of an ongoing debate among experts (Bundesministerium der Finanzen 2010).

Politicians from different nations and academics representing different schools of thought are currently split. Is it time to withdraw debt-financed stimulus programmes launched because of the economic crisis and get badly hit public budgets back on track? Or is the perceptible recovery still so fragile that we need more stimulus to keep the economy going? US economist Paul Krugman recently advocated the latter. He argued that savings measures such as those being planned by Germany were premature and jeopardised (global) economic recovery. His prescription: More stimulus financed by even more government debt. He said that if need be we have to run the risk of higher inflation.

Numerous economists ...oppose this and defend the strategy also being pursued by Germany.

...further stimulus is superfluous, and at worst, even dangerous, especially in view of the risk of higher inflation. ...On the basis of empirical studies, economic expert Wolfgang Franz demonstrates that we can generally consider ourselves lucky if the state's financial deficit at least produces an equivalent increase in GDP. ...Conclusion: Another round of stimulus in an upturn is not worthwhile.

This split became ever more important in the lead up to the G20 summit of June 2010. At the previous meeting, governments had reaffirmed their commitment to fiscal stimulus until the world economy showed clear signs of recovery. The United States, which wanted to strengthen this affirmation, persistently put pressure on Germany, culminating in a letter from President Barack Obama warning of the global economic risks of a premature withdrawal of fiscal stimulus programs. German officials proved unbending:

Behind the calls for us to pursue a more expansionary fiscal course lie two different approaches to economic policymaking on each side of the Atlantic. While US policymakers like to focus on short term corrective measures, we take the longer view and are, therefore, more preoccupied with the implications of excessive deficits and the dangers of high inflation (Schaüble 2010).

German officials and the leadership of the European Central Bank tacitly combined to exploit the new arguments being made by anti-Keynesian economists and justify a turn to austerity. The United States, which was having domestic difficulty persuading Congress to pass a further

stimulus package because the pre-Obama administration bipartisan consensus around stimulus had evaporated, lost (Blyth 2013a). The final communique effectively ended efforts to coordinate further fiscal stimulus policies at the international level. European politicians used the arguments of US economists to push for further retrenchment in Europe; German Finance minister Wolfgang Schäuble argued that “We have read the study by Rogoff and Reinhart very carefully. They have demonstrated empirically that beyond a certain level, public indebtedness becomes damaging to growth” (Schauble 2012).

In the intervening period from 2010 onwards, fiscal expansion has been replaced by contraction in all the major OECD economies, leading to an increased reliance on monetary policy in the US, and eventually the EU where Trichet’s successor, Mario Draghi, has pushed for a form of ‘quantitative easing’ to stimulate the economy. Keynesian macroeconomics, in various forms, is resurgent in the academic profession and in major policy institutions like the IMF. Academic critics of Keynesianism remain prominent and visible. In combination with the continued dominance of austerity advocates in bodies like the European Commission, this has allowed the political opponents of Keynesianism to maintain their position.

In February 2016, continued problems in the world economy led the International Monetary Fund to call bluntly for “bold multilateral actions” that would use available fiscal space to boost investments, while the US argued that countries like Germany needed to engage in fiscal stimulus for the benefit of the world economy (Donnan 2016). However, again Germany was successfully able to push back, telling other countries that it was “strictly against announcing publicly that the G-20 is preparing a stimulus program” (Talley 2016). As in 2008, Keynesian commentators like Barry Eichengreen have sought to make the case for stimulus in public

(Eichengreen 2016). This time, however, they have been driven to near despair at the unlikelihood of any concerted action – Eichengreen compares Germany’s stance to the pre-Civil War South’s resistance to federal desegregation programs .

This apparently stable dissensus reflects the outcome of arguments in 2010. Just as conventional power based approaches do not explain the change in Germany’s position in the first stage of the crisis, they do not explain why Germany was able successfully to beat back pressure over fiscal stimulus in the second. There was no visible shift in conventional indices of bargaining power. The important shift was the emergence of the Greek crisis - which provided Germany and the European Central Bank with increased institutional and rhetorical resources thanks to a new crisis situation that appeared to illustrate the dangers of weak institutions and profligate spending. Debates over ideas were not determined by political bargaining, but rather seem to have shaped bargaining processes. German negotiators were able to invoke the arguments of economists who warned about the risks of high debt and deficits.

However, again, conventional ideational accounts have limited purchase. The angry disputes between pro-stimulus and anti-stimulus economists bore little obvious resemblance to the disinterested processes of scientific inquiry described by scholars of epistemic communities. The ideas of experts were not nearly as stable as ideological accounts would predict. They shifted in important ways as some previous converts to demand stimulation policy shifted back to the pro-austerity camp.¹² Nor did internal organizational processes play any observable role in shaping macro-level arguments over stimulus policy. Most importantly, however, it is clear from the record that the relationship between expertise and policy implementation was not one way.

¹² One should note that the emphasis of the ideology account on coercion plausibly helps explain how fiscal austerity was implemented in Southern Europe.

Indeed, a key reason why ideas about austerity were resurrected within the academy, creating visible disagreement and dissensus, was that European policy makers took them up and promoted them, meaning that they had to be taken seriously by other scholars, even those who vehemently disagreed with them. Standard ideational accounts - which tend to treat experts as 'givers' and policy makers as 'takers' of ideas have little insight to offer into the two-way dynamic through which scholarly ideas provided legitimacy for dissenting policy makers, who in turn were able to provide visible support that enhanced the legitimacy of these ideas in scholarly debate.

Again, the literature on professions provides a better understanding, allowing us to understand how the apparent new consensus of the previous eighteen months dissolved. As Figure 5 shows, fiscal policy remained a hinge issue for the economics profession and for policy makers in the US and Europe.

FIGURE 5 AROUND HERE

This time, however, the relationship between Germany and its allies in the European Central Bank on the one hand, and the economics academy on the other, was two-way. Factions within both the economics profession *and* policy making, which had been discommoded by the apparent triumph of Keynesianism, were able to work together towards related goals. On the one hand, anti-Keynesian economists were able to build counterarguments against Keynesians, arguing that confidence effects meant that economic stimulus would in practice be self-undermining. On the

other, they were able to widen disagreements among Keynesians over when it was appropriate to end stimulus policies. Here again, intra-professional structures worked as sociologists of the professions would predict. The key proponents of the anti-Keynesian case were ‘star’ economists located at highly prestigious institutions. They were also based in the US. Again, economists who were advantaged by the structures of the profession were more likely to be influential within it, and more likely to be cited by policy makers outside it, even policy makers outside the US.

These ideas also gained legitimacy within the academy because of their positive political reception outside it. As Fourcade and others have noted, internal prestige within economics depends in important ways on its visible impact on policy making. The structure of the institutions mediating the relationship between the profession of economics and policy making had important consequences. One of the reasons that Germany was better able to shape debates over macroeconomic policy than at the previous stage was that it was able to take advantage of a far more congenial institutional landscape, thanks to the debt crisis, which brought European institutions, where Germany had greater influence, to the fore. The Greek crisis highlighted the role of the European Central Bank, which was highly sympathetic to German concerns, and the European Council of Ministers, where Germany had outsized influence. The decision of European finance ministers to ask Alesina to write and present a paper to them conferred legitimacy on his arguments, exactly because the prestige of economics depends significantly on perceived influence on policy debates outside it. Hence, the initial appearance of expert consensus gave way to a perception of real and substantial dissensus among experts, providing dissenting policy makers with greater freedom of action. Factions of economists within the profession, and policy makers outside it respectively worked to increase the visible influence of non-Keynesians, allowing policy makers more easily to take deviating actions. Those factions of

economists that had favored Keynesianism in the academy, and demand stimulus strategy in the policy world, found it more difficult to make headway than they had in the recent past.

Conclusions

In this article, we have argued that the rise and partial fall of a new Keynesian consensus during the recent economic crisis can be best explained through building on the work of sociologists of the professions, such as Marion Fourcade and Andrew Abbott. The ability of different sub-groups in the crisis to press their preferred understandings and solutions was shaped both by the internal structures of the ecologies in which they worked, and by the relationship between these ecologies.

Our arguments have striking implications for both the specific case and for international political economy more broadly. First, they provide a clearer understanding of the role that ideas played during the economic crisis. Even if, as Martin Wolf (2014, 12) argued of the crisis, “It is in the last resort, ideas that matter,” one needs to explain *how* they mattered. Our argument shows how ideas and politics were inextricably intertwined, providing support for scholars like Blyth (2002) in their arguments with scholars such as Lindvall (2009) who see expert ideas as being fundamentally apolitical.

More broadly, Seabrooke and Wigan (2016, p.361) point out that “experts have not been given sufficient attention in the ideational literature,” calling for an account of expertise and ideas that is better grounded in the actual social structures that experts and other actors occupy. Our account shows how social structures – specifically the community structures of the academic and policy making worlds, and how they intersect – can have crucial consequences for the role of

ideas. Our account moves away from the reified accounts of expert ideas that characterized an earlier generation of scholarship about e.g. epistemic communities. This allows us to understand how specific factions of actors within an expert community can work together with specific factions of actors in the policy community, on ‘hinge’ issues that allow them to reach parallel goals in their respective ecologies.

This then, together with the work of other emerging scholarship on expertise (Chwiero 2015; Faulconbridge and Muzio 2008; Fourcade 2009; Harrington 2012; Seabrooke 2014), and broader structures of communication and compulsion Ban (2016) helps to spell out an exciting research agenda that spans sociology (especially economic sociology) and international political economy. It is at the least highly plausible that similar relationships exist in other areas where the ecologies of expertise and political decision making intersect.

This has many potential implications for scholarship on the international role of ideas. We conclude by focusing on two.

First, the large majority of existing work seeks to understand the politics of ideational consensus – how it is that actors reach agreement on shared ideas, and how actors may shift from one consensus to another. Our work suggests that apparent dissensus – the appearance of continuing disagreement among experts, may be equally important to policy outcomes. An internal tobacco industry memo, summarizing how the industry ought to subsidize contrarian science, famously argued that “doubt is our product.” This suggests that industry actors did not believe it was necessary to create an intellectual consensus, and were happy instead to perpetuate a dissensus that stymied coordinated policy action. It would hardly be surprising if the strategies of actors looking to block movement on climate change, international regulation of small arms

and other such controversial questions followed a similar logic. Equally, it is plausible that politics will shape and reinforce genuine scientific disagreements as well as manufactured ones.

Second, we should move away from monodirectional accounts, in which we see ideas as straightforwardly shaping politics or vice versa, to look at two way processes, in which factions and communities work together or at cross purposes across different ecologies. It also - crucially - allows us to map the two way interplay between these different ecologies, in which factions of experts influence policy discussions, while factions of policy actors can work to reshape discussions among experts in ways that redound to their particular advantage. To be clear - these complex patterns of causation are less conducive to hypothesis testing than the more typical assumptions of a one-way channel of influence from experts or other ideational entrepreneurs to policy actors. We will only be able to avoid tautology by mapping out the underlying structures of influence between expert communities and policy makers. Yet making such maps will also reveal important causal relationships that would otherwise be invisible.

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I – Bargaining Account

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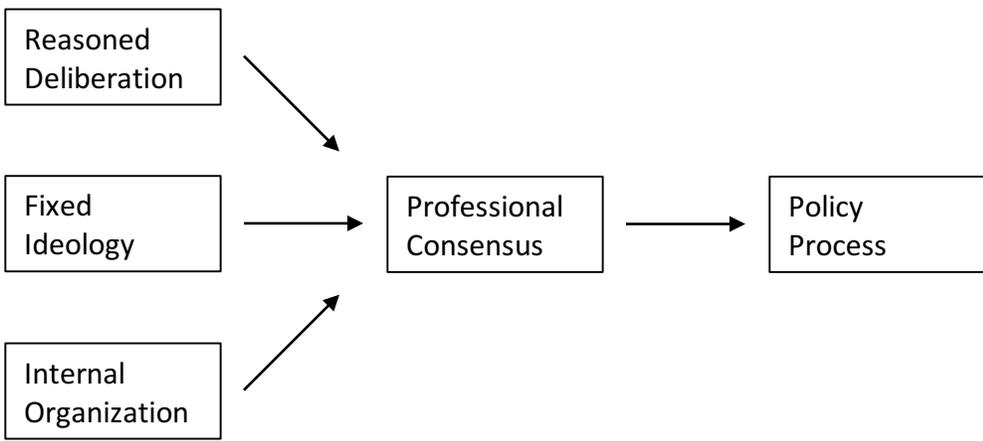
Professional
Consensus

Bargaining
Power



Policy
Process

II – Standard Ideational Accounts



III – Hinging Account

