In The Red: The Politics of Public Debt Accumulation in Developed Countries. By Zsófia Barta. Ann Arbor: University of Michigan Press, 2018. 224p. $70.00 cloth.
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— Matthias Matthijs, *Johns Hopkins University*

The global financial crisis of 2007–9 and ensuing Eurozone debt crisis of 2010–12 have renewed both scholars' and policymakers' preoccupation with the causes and consequences of sovereign debt buildups in the advanced industrial world. As most Western governments responded to the financial panic by bailing out their banks and enacting large fiscal stimulus packages, their budgetary deficits swelled. What had started as a banking and private debt crisis therefore quickly turned into a crisis of sovereign debt. But the bond market vigilantes did not treat all countries' debt equally. Some countries—like the United States, Germany, Japan, and the United Kingdom—were seen as safe havens and rewarded with lower yields. Others—most dramatically Greece, but also Ireland, Portugal, Spain, and Italy—were punished by much higher interest rates, even though not all of them had been bad students in the fiscal sustainability class. While Greece was a well-known case of fiscal profligacy and tax evasion, Ireland and Spain had been exemplary in consolidating their public finances prior to the crisis, running healthy surpluses. Italy's and Portugal's main sin was a lack of economic growth. Other countries that had built up large stocks of public debt over long periods of time, like Belgium and Japan, survived the crisis relatively unscathed. The crisis made it clear, however, that sudden spikes in interest rates caused by capricious financial markets could quickly upset a country's fiscal fortunes.

If that is the case, why do some developed countries flirt with budgetary disaster by building up large sums of sovereign debt over long periods of time? And under what conditions do governments successfully consolidate their public finances? Zsófia Barta sets out to answer these questions in her superb book *In The Red*, by putting forward a remarkably simple and intuitive thesis. Rejecting standard accounts of "fiscal indiscipline"—that most governments are prone to irresponsible borrowing given their short-time horizons—Barta identifies two key factors for successful stabilization: fiscal polarization and economic openness. Her central argument is both elegant and parsimonious: In order to pass necessary austerity measures, democratic governments heavily rely on societal support, and the passage of time plays a crucial role in generating said support (p. 17).

Following in the tradition of Peter Gourevitch's classic work *Politics in Hard Times* (1986), Barta's "polarization-exposure" thesis predicts that governments are more likely to build successful coalitions that reflect societal support for fiscal retrenchment if they represent workers and businesses who depend on competitiveness in the international economy and are able to spread the pain relatively evenly. The moment there are clear winners and losers from any austerity package is also usually the moment when consolidation gets frustrated or postponed, as the losers quickly organize against the reforms and are likely to be successful in thwarting any new fiscal stabilization efforts.

Seeking consistent explanatory power by analyzing social coalitions based on interest groups' material interests, Barta argues that both domestic institutions and economic ideas are less relevant for understanding "the most puzzling cases of sustained and substantial debt accumulation as they unfolded across time" (p. 21). In order to make her case, Barta's empirical material consists of carefully process-traced country case studies that span from the 1970s to the 2008 global financial crisis. She first looks at Italy's fiscal history, as a middle case of delayed and only marginally successful budgetary consolidation, in which polarization is high and international exposure moderate. She sees long periods of policy paralysis, given that large sections of Italian society were relatively sheltered from the negative side effects of debt buildups. Only in the 1990s was there a successful period of stabilization under the temporary reign of a "competitiveness" coalition supported by both labor and industry. In the 2000s, Italy saw a relapse into its old fiscal ways.

The author's second case chapter, dealing with Belgium and Ireland, is structured as a "most similar systems design" in that they are both small open economies with nonmajoritarian political systems, where similar policy paradigms held sway around the same time. Belgium managed to implement its equivalent policy of *rigueur* in the first half of the 1980s under the reformist "Martens-Gol" Christian Democrat–Liberal coalition, thanks to the main Flemish Christian labor union's temporary willingness to share the economic pain. Once Prime Minister Wilfried Martens swapped his liberal coalition partners for the socialists in 1987, consolidation efforts stalled. Belgium only managed to get its sovereign debt stock under control during the 1990s, thanks to a favorable international economic climate and quickly falling world interest rates. Ireland was more successful in dealing with its debt as both main parties, Fine Gael and Fianna Fáil, supported consolidation and managed to spread the burden of adjustment relatively evenly across Irish society. Given the importance of foreign direct investment in Ireland, large multinational firms enjoyed protection from higher taxes.

Barta's third and final case chapter shows the two biggest fiscal sinners of the developed world, Greece and Japan, in a "most different systems design." Indeed, it is hard to think of two developed countries that are more different when it comes to state strength, party system, fiscal institutions, economic performance, and international diplomatic pressure to consolidate. But both countries saw a systematic buildup of sovereign debt over a similarly long period of time, and neither is heavily exposed to international competition, while fiscal polarization is high in both places. Of course, although both countries built up large stocks of debt, Greece marched right into bankruptcy and default, while Japan continues to enjoy record low interest rates.

While Barta's interest-based "polarization-exposure" political economy account is largely convincing, and does a better job at explaining puzzling variation than pure institutional or ideational accounts, the book is not without its flaws. Two deserve to be mentioned: 1) the international political economy dimension of sovereign debt and 2) party politics, including the crucial and changing role that economic ideas play in guiding their fiscal policy stances.

First, a key missing dimension of the book is the role of international financial markets. Although Barta briefly discusses "financial internationalization" in the final chapter (pp. 168–69) and points to the growing importance of international creditors in financing sovereign debt, this aspect seems too omnipresent to ignore in the case studies, especially if one were to expand her framework beyond 2008. Including international political economy factors like the global economic environment helps to explain the politics of debt accumulation in the United States (which enjoys the "exorbitant privilege" of borrowing in the global reserve asset), and why countries like Germany or the Netherlands had a much easier time consolidating their debt during the 1990s and after the global financial crisis. Bond markets can either punish or reward countries, and credit rating agencies play a crucial intermediary role in this process.

Secondly, political entrepreneurs and the ideas they hold, as well as the narratives they construct about debt and deficits, are often decisive during critical junctures of high uncertainty. While Barta has a point when she argues that ideas are often used to justify coalition policies ex post facto, the role that ideas of austerity and structural reform played in the 1980s, 1990s, and especially post-2010, cannot be dismissed that easily. After all, there are two ways to get the debt-to-GDP ratio to fall: either by cutting the numerator or by growing the denominator. Purely focusing on austerity measures instead of demand stimulus in the short term is in itself an ideological choice.

Of course, no academic book is perfect or without its critics. Barta's account of the politics of debt accumulation in the developed world is a shining example of the way in which excellent political economy scholarship is done. *In the Red* deserves to be read by a wide audience, and its readers will learn a great deal from it.