Book Review

Financial Crises and the Politics of Macroeconomic Adjustments
Walter, Stefanie
New York, Cambridge University Press (2013), 250 pp., ISBN 978 1 107 02870 8

Stefanie Walter's *Financial Crises and the Politics of Macroeconomic Adjustment* is an important book that deserves to be read widely. It is one of the few works by a comparative political economist to address core issues of macroeconomic adjustment during the Global Financial Crisis. It does so, though, using a general theoretical framework that also addresses earlier instances of adjustment the world over. Given that political scientists have made so few analytical contributions to the study of the crisis and its aftermath, and of those, most have focused on system-level concerns or the experiences of individual countries, Walter's book stakes a claim for those working on comparative politics in understanding this signature global event.

Walter's theoretical apparatus is a standard model of open economy politics, one familiar to most scholars working on the distributional politics of economic policymaking. Individuals differ in their economic positions, and this gives them different economic policy preferences. National governments face a problem of adjusting to external economic shocks, and they have choices for how to do that: devaluing versus defending their exchange rates, monetary contraction, fiscal retrenchment, and so forth. Walter broadly distinguishes between internal and external adjustment packages, and shows how factors such as foreign currency liability, unemployment, and holding a mortgage shape, among others the extent to which different adjustment strategies affect citizens.

The theoretical contribution thus stated may seem simple or straightforward, but that is far from the case. The literature in comparative and international political economy is indeed sensitive to issues like exchange rates politics and the political costs of structural adjustment, but never before have all of the pieces been put together in this way. Walter's synthetic contribution is most welcome. Her argument, moreover, is remarkably productive—it travels from Latvia in 2009 to Thailand in 1998 and allows the book to draw together what might appear to be quite disparate country cases into a single framework. Perhaps most notably, the key predictions of the model are borne out both in individual survey data and in national policymaking.

Good books generate new questions, and parsimonious explanations such as Walter's should encourage reflection and criticism. The overarching question that this book raises is about the *politics* of adjustment. There are three ways to push Walter's analysis further into the politics of adjustment while remaining faithful to the terms of her theoretical argument: the aggregation of preferences, the diagnosis of vulnerabilities, and the losers' reactions.

Preference aggregation is largely absent from Walter's analysis. She establishes that citizens are affected by adjustment policies in the way that her theory predicts, and also that governments act accordingly. But what are the mechanisms that aggregate and rationalize the many cross-cutting interest dynamics at play within the population? Three possibilities would be parties, interest groups, or social movements, with the former two especially important in the case in consolidated democracies. Scholars who wish to build upon or refine Walter's account might look for evidence about how parties, interest groups, and social movements articulate mass interests in order to produce the kinds of political pressure that ought to be decisive in determining policy choice. Such an analysis would be especially revealing for some of the transitional economies in Eastern Europe in Chapter 7 and in the Asian cases in Chapter 6, where unconsolidated democracies or electoral authoritarian regimes survey the costs and benefits of adjustment.

The extension just proposed looks for political links running from citizens to policymakers. Another way to push Walter's analysis forward would be to look more closely at how policymakers themselves conceptualize the costs that they face. When explaining national policy choices, Walter's analysis makes it appear that policymakers have a good sense of the costs and benefits of various policy options (with the important exception of whether or not financing will work; about that they may be uncertain, and this can lead to implementation delays). Policy choice is almost technocratic. Much recent work in critical political economy would cast a skeptical eye on such an account, suggesting that the nature of a crisis is in the eye of the beholder, and that "objective" costs are themselves subject to political wrangling. There is plenty of room to unpack the policymaking process further in the context of her case analyses, with an eye to perceptions of vulnerability and threat, time horizons, notions of the national interest, central banks versus ministries of trade and industry, and so forth. There is, too, an irony in Walter's account. Policymakers can foresee the implications of various adjustment options, but they appear unable to foresee what kinds of policies would lead to crises in the first place.

A final consideration is political conflict. Adjustments made with an eye towards minimizing costs should be popular, but not universally so, even in cases where costs are straightforward. Distributional politics ought to follow in all of the cases that Walter considers. Further analysis of the "second stage" of adjustment policies—implementation and its aftermath—will shed further light into the ways in which macroeconomic adjustment shapes politics over the medium term. The theoretical model admits a role for the political opposition in affecting the speed and shape of adjustment measures (see e.g. p. 118), and oppositions appear here and there in the case analyses, but focusing on what happens after adjustment will help to characterize the politics of adjustment more fully.

By prompting such questions, *Financial Crises and the Politics of Macroeconomic Adjustment* shows that there is still much that comparative political economists and others working in cognate fields can do to further our understanding of the Global Financial Crisis and other related crises in recent history. It would be especially interesting to put Walter's contribution into conversation with contributions found in Bermeo and Pontusson (2012) and Streeck and Schäfer (2013), most of which place greater emphasis on ideas such as austerity and the constraints of European economic integration. It is Walter, though, who has set the agenda.

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Literature

Bermeo, Nancy and Jonas Pontusson, eds. 2012. *Coping with Crisis: Government Reactions to the Great Recession*. New York: Russell Sage Foundation.

Streeck, Wolfgang and Armin Schäfer, eds. 2013. *Politics in the Age of Austerity*. Cambridge: Polity Press.

