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**Review of *The Power of Economists Within the State*
by Johan Christensen (Stanford University Press, 2017).**

"Broaden the base and lower the rates." This slogan became the rallying cry of mainstream American tax economists in the 1980s. These economists argued that tax policies had become distortionary and inefficient; governments could and should collect the same amount of revenue through policies that removed loopholes and preferential treatment for certain types of income or expenditures ("broadening the base") and reducing the rate at which incomes were taxed ("lower the rates"). Together, these policies promised to promote economic growth, and helped propel the passage of the 1986 U.S. Tax Reform Act.

In *The Power of Economists Within the State*, Johan Christensen documents the success and failure of economists to enact similar policies in four small democratic countries: New Zealand, Ireland, Norway, and Denmark. At the start of the 1980s, each country had a similar tax system, involving steeply progressive taxation of labor and many forms of "distortionary" tax breaks. Over the next 30 years, New Zealand and Norway adopted significant tax reforms in the same direction as the U.S. (and U.K.). In contrast, Ireland and Denmark did not. Why?

Christensen locates his answer in the differential institutionalization of economists' role in policymaking. Through careful historical analysis of each case, Christensen documents how the structure of the civil service and the centrality of economists in finance ministries at the start of the 1980s shaped the possibility for tax reform. In New Zealand and Norway, Keynesian economists had attained significant influence inside the policymaking bureaucracy in the 1960s-1970s. As economists adopted new ideas about the role of tax policy, reconceptualizing it primarily as a tool for promoting (or hindering) microeconomic efficiency rather than a tool for macroeconomic stabilization, they took advantage of existing bureaucratic pathways to advance tax reform proposals. In contrast, Ireland had very few economists in positions of institutional power inside the bureaucracy, relying instead on generalist bureaucrats. Denmark had a strong tradition of *macroeconomists* in government, these economists had little influence on tax policy as they were housed in separate Economic Secretariat. Additionally, Denmark's strong domestic Keynesian school of economics provided a counterweight to the new, internationally dominant microeconomic approaches to tax policy originating in the U.S. and U.K. As a result, economists played a limited role in tax policy debates in Ireland and Denmark, and tax policy changes followed a different path.

While Christensen recognizes the role of many other factors that shaped the possibility for tax reform to occur – including the global economic turmoil of the 1970s, along with more contingent political factors – his analysis compellingly documents the power of well-placed economists to advance their own agenda. Christensen skillfully draws on partial counterexamples – such as the persistence of preferential treatment for housing in Norway, due to the particularities of housing policy there – to showcase the limits of economists' influence.

I have three small criticisms. First, although the book focuses on the power of economists *within* the state, the same evidence could also be used to make an important case about the power of American economists on the global profession, and through that profession, on non-American states. Ironically, given contemporary American politics, the consensus of American tax economists may be more influential on the tax policies of other countries than on America's own. What would it mean to re-read Christensen's cases with this lens in mind?

Second, Christensen showcases the power of economists to enact a particular agenda, but not necessarily to sustain that agenda over time. In Norway, for example, the brief consensus around tax reform in 1992 was undermined soon after by both right and left-wing actors pushing for preferential treatment of capital income on one hand, and higher marginal tax rates on income on the other (p. 127). Political scientists have shown that policies sometimes produce their own constituencies once in place – but not always (Galvin and Thurston 2017). If we think of the success of a policy program in terms of not just the passage of a new law, but the implementation and maintenance of that law, how would the analysis change? Is the power of well-placed economists limited in the absence of a capacity to build a broad *political* base?

Third, and perhaps most troubling, is Christensen's embrace of the language of "market conforming" and "market distorting" to describe tax reform policies. Christensen defines market-conforming policies as those "that conform to the free operation of markets and that aim to ensure an efficient allocation of resources." (p. 6) Christensen analogizes these policies to those in other domains where governments have attempted to shift responsibility for economic outcomes to the workings of the market (as in monetary policy, see Krippner 2007). But Christensen's framing seems to lose one central insight of that line of work: while market-conforming policies may *appear* to delegate economic outcomes to the workings of the market, the market itself is always a political construct. In Polanyian terms, the market is "always embedded" in society and politics (Block and Somers 2014). The state can never "just" conform itself to the market, for the state is continuously constructing the capacities of the market through everything from contract and property law, to spending decisions, to regulatory policy. By adopting the language of "market-conforming" throughout, Christensen reifies the market rather than reminding readers of its deeply contingent, political construction.

None of the above undermines the value of Christensen's careful, detailed, and compelling treatment of the politics of tax reform and the power of economists. The book is a model of comparative research, and a valuable addition to our understanding of the role of experts in policymaking.

Bibliography

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