



1,502 Views | 22 CrossRef citations to date | 94 Altmetric

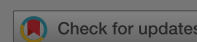
Articles

# Austerity and the path of least resistance: how fiscal consolidations crowd out long-term investments

Olivier Jacques

Pages 551-570 | Published online: 09 Mar 2020

Cite this article <https://doi.org/10.1080/13501763.2020.1737957>



Sample our  
Politics & International  
Relations Journals



>> [Sign in here](#) to start your access  
to the latest two volumes for 14 days

Full Article

Reprints

Metrics

## We Care About Your Privacy

We and our 907 partners store and access personal data, like browsing data or unique identifiers, on your device. Selecting "I Accept" enables tracking technologies to support the purposes shown under "we and our partners process data to provide," whereas selecting "Reject All" or withdrawing your consent will disable them. If trackers are disabled, some content and ads you see may not be as relevant to you. You can resurface this menu to change your choices or withdraw consent at any time by clicking the ["privacy preferences"] link on the bottom of the webpage [or the floating icon on the bottom-left of the webpage, if applicable]. Your choices will have effect within our Website. For more details, refer to our Privacy Policy. [Here](#)

We and our partners process data to provide:

...

I Accept

Reject All

Show Purpose



market policies and of compensatory transfer-based labour market insurance are resilient to austerity.

KEYWORDS:

- Austerity
- fiscal consolidations
- health care
- infrastructures
- long-term investments
- welfare states

Acknowledgements

The author wishes to thank Daniel Béland, Christian Breunig, Marius Busemeyer, Costin Ciobanu, Lukas Haffert, Juliet Johnson, Paul Kellstedt, Achim Kemmerling, Alain Noël, Dietlind Stolle, as well as participants to the Annual Conference of the Society for Advancement of Socio-Economics and to workshops at McGill University, the University of Zurich and the University of Konstanz for comments on earlier drafts of this article. The paper significantly benefited from the feedback of three anonymous reviewers. The author acknowledge the financial support of the Social Science and Humanities Research Council of Canada and of the Chaire de Recherche en Fiscalité et Finances Publiques of the Université de Sherbrooke.

Disclosures

No potential conflicts of interest were disclosed.

Notes

- 1 Fiscal consolidation is a policy of reducing government spending and/or increasing taxes to reduce the budget deficit.
- 2 One could argue that R&D is a public good in many ways since the knowledge generated is non-rival and non-excludable (that makes it difficult to appropriate the benefits to most citizens and institutions). Like physical capital investment, R&D is collectively owned once patents are granted.

expire, in contrast to human capital investment which is privately owned, making it closer to a public good. It is also a discretionary spending, like physical capital investment and in contrast to human capital investments that are closer to entitlements. In any case, R&D remains a small proportion of the two types of investment and removing R&D from the analysis does not change the main results as shown in appendix Figure A7.

3 The countries are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Netherlands, Portugal, Spain, Sweden, United Kingdom and the USA.

4 Using the Philips-Perron and LLC test.

5 Using the PSS bounds, Engle-Granger and Westerlund tests

6 Theoretically, the effect of consolidation on budgets should be immediate, it is thus better to use the partial adjustment model than the dead start model (a lagged the value of each covariate). Results from the dead start model are similar.

## Additional information

Notes on

Olivier  
Olivier  
McGill U



Related



Share

## Information for

Authors

R&D professionals

Editors

Librarians

Societies

## Opportunities

Reprints and e-prints

Advertising solutions

Accelerated publication

Corporate access solutions

## Open access

Overview

Open journals

Open Select

Dove Medical Press

F1000Research

## Help and information

Help and contact

Newsroom

All journals

Books

## Keep up to date

Register to receive personalised research and resources by email



Sign me up



Copyright

Accessib

Registered  
5 Howick Pl

or & Francis Group  
orma business

