



The Politics of Growth Models and Preferences for Growth Strategies

Lucio Baccaro (MPIfG)

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The Politics of Growth Models

- > A lot of research about the PE of growth models, much less about the politics
- > Two traditions in CPE/CP
 - > • *Producer group politics* (Gourevitch, Swenson): sectoral cross-class coalitions, lobbying and/or corporatist policy bargaining by organized interests
 - > • *Electoral politics* (Beramendi *et al*; Hooghe and Marks): government policy as the outcome of electoral contests between parties responding to the well-defined preferences of voters





Limited Role of the Electoral Channel for Growth Strategy Selection

- > Depoliticization of issues ("quiet politics")
- > Convergence of party supply on key issues (when the growth model is well-defined)

Exceptions

- Economic stagnation or crisis leads to a narrowing of the growth coalition and the emergence of "anti-system parties" (or the reconfiguration of existing parties)
- Activation of different "growth drivers" by an alternative growth coalition (centered on different sectors) (for balanced growth models)
- > Do citizens have well-defined preferences about growth strategies? Do these preferences inform their voting choices? Are cross-country differences in growth models explained by different electoral majorities?





A new survey

- > Large samples of citizens age 18+ in Germany (n=4,107), Italy (n=4,087), Sweden (n=4,082), and the UK (n=5,063),
 - YouGov online samples
 - Quota sampling approach based on age and gender (interlocked) and employment status

- > Citizens read, assess, and rank four growth strategies based on stylized vignettes: wage-led, profit-led, export-led, credit-led
 - Extensive pre-tests
 - Dependent variables: ranking of growth strategies, assessment of support and of feasibility of each strategy

- > N.B. Focus on "growth strategies", not "growth models"





Overview of growth strategies

	Growth strategy			
	Wage-led growth	Profit-led growth	Credit-led growth	Export-led growth
Growth driver	Real-wage growth	Unit profits	Credit	Exports
Key mechanism	Real wage growth strengthens consumption which strengthens investment	Higher unit profits strengthen investment which strengthens consumption (assumption of trickle-down effects)	Higher availability of credit for housing and consumption goods strengthens consumption and (residential) investment	Higher exports strengthen profits and investment, while domestic consumption is repressed to boost international competitiveness





Average annual growth rates and demand contributions to growth (1996-2018) (import-adjusted demand components)

	Average growth	Consumption-share	Investment-share	Government-share	Export-share
Sweden	2.6%	20.1%	20.9%	24.0%	35.0%
UK	2.0%	41.2%	16.0%	18.9%	23.9%
Germany	1.5%	12.5%	3.3%	15.7%	68.5%
Italy	0.6%	27.1%	-0.5%	23.4%	50.0%





Research questions

- > Do citizens have well-defined preferences about growth strategies?
- > Are preferences shaped by class (including retirement status) and sector of employment?
- > Are preferences of the "rich" (approximately top 1%) significantly different from those of others?





Why study preferences for growth strategies?

- > Highly technical domain, unlikely to be salient for voters
- > Furthermore, macroeconomic policy largely delegated to technocracies or supranational institutions (e.g. eurozone)
- > However, delegation not a technical but a political matter
 - Hollowing out of substantive democracy (Mair, Streeck, Rodrik)
 - Unequal democracy: preferences that matter are those of the rich (Bartels, Gilens, Hacker and Pierson, Pontusson)
- > Information about preferences for growth strategy necessary to assess correspondence between citizen preferences and policy outcomes and the extent of any democratic deficit
- > Additionally, growth strategies may become salient and politicized in times of crisis





Are Preferences for Growth Strategies Consistent with Preferences for Other Economic Policies?

- > Preference for wage-led growth (significantly) positively correlated with
 - Support for a strong role of unions in wage determination
 - Support for budget deficits to ensure full employment
 - Support for making loans easier to obtain

- > Negatively correlated with:
 - Preference for inflation minimization (vs. full employment)
 - Support for finance
 - Support for trade surpluses

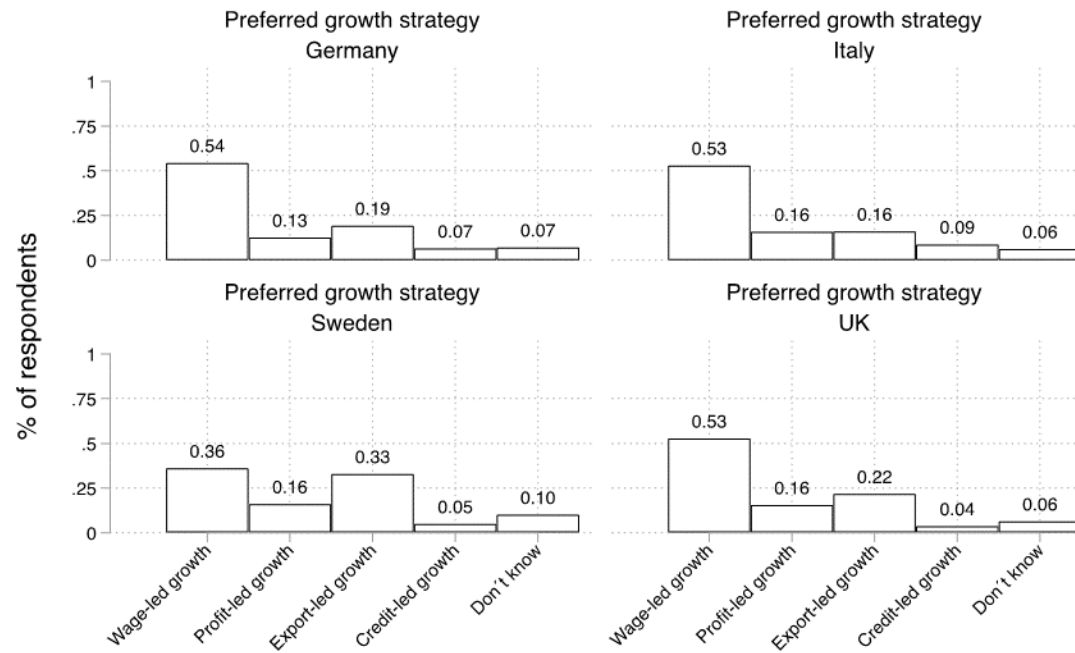
- > Differences among export-led and profit-led less distinctive
 - Both negatively correlated with support for strong unions and with support for public deficits
 - Positively correlated with support for finance

- > Credit-led growth a negligible choice (5.5%)



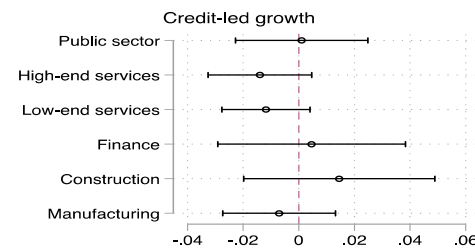
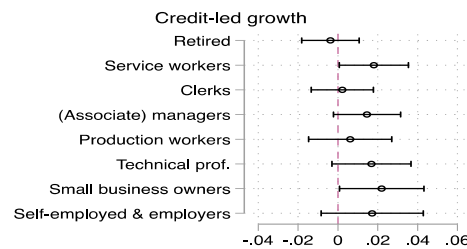
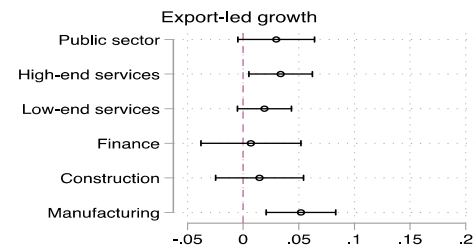
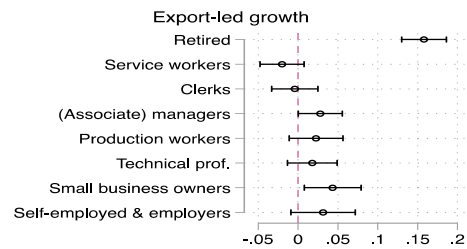
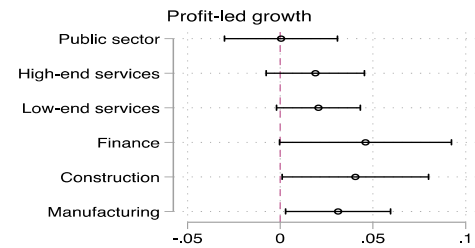
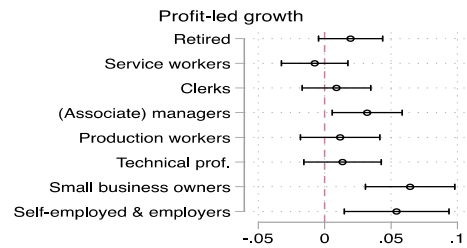
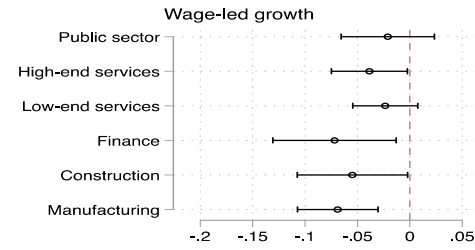
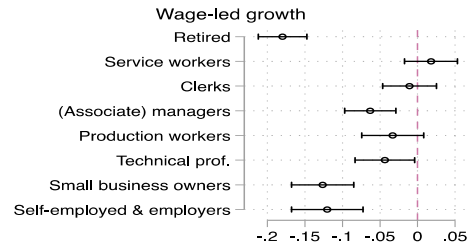


Average support for growth strategies



Graphs by country







Class Correlates of Preferences for Growth Strategies

- > Employers, self-employed, and small business owners less likely to choose wage-led growth (10%) and more likely to opt for profit-led growth (5%)
- > (Associate) managers and technical professionals have similar preferences to capital owners
- > Service workers, clerks, and socio-cultural professionals are closer to production workers
- > Retired people considerably more likely to support export-led growth (16%) and less likely to support wage-led growth (-18%)
- > Greater economic knowledge is significantly positively associated with support for wage-led growth





Sectoral Correlates of Preferences for Growth Strategies

- > Effects smaller and less precisely estimated
- > Workers employed in finance, high-end services, and manufacturing are less likely to support wage-led growth than workers in education and health (the reference category)
- > Manufacturing workers significantly more likely to support export-led and (surprisingly) profit-led growth
- > Importantly, all sectoral and class segments, including employers and self-employed, small business owners, and pensioners, have wage-led as the preferred growth strategy





Predicted support for growth strategies

	Wage-led	Profit-led	Export-led	Credit-led	Don't know	N
D1	0.527***	0.130***	0.195***	0.067***	0.081***	
	35.81	12.65	16.05	9.27	11.52	
D9	0.492***	0.161***	0.233***	0.070***	0.043***	
	31.15	13.1	17.78	8.08	5.24	
D10	0.405***	0.212***	0.259***	0.060***	0.065***	N=1396 (9.0%)
	26.7	13.59	19.11	7.14	6.32	
D10&Selfemployed/employers	0.275***	0.201***	0.389***	0.124**	0.011	N=99 (0.7%)
	5.91	3.85	6.95	2.84	0.99	
D10&Highergrade managers	0.391***	0.250***	0.273***	0.071***	0.016*	N=354 (2.4%)
	13.43	7.47	9.16	3.76	2.17	
D10&selfemployment income	0.265***	0.263***	0.360***	0.083**	0.029	
	5.85	5.09	6.98	2.74	1.4	N=103 (0.7%)
D10&investment income	0.265***	0.207**	0.413***	0.115	0.000***	N=40 (0.3%)
	3.65	2.97	4.71	1.75	4.67	
t statistics in parentheses						
* p<0.05, ** p<0.01, *** p<0.001						



Preferences of the Rich

- > D9: 49% preference for wage-led growth; 23% export-led
- > D10: 42% preference for wage-led growth; 26% export-led
- > D10 + self-employed/employers (0.7% of sample): 27% wage-led; 39% export-led
- > D10 + employment income (0.3% of sample): 26% wage-led; 41% export-led
- > Surprisingly, profit-led growth never a majority strategy, no matter how thin the sample
 - Economic elites may be aware of the Marxian problem of profit realization



Summary of findings

- > Voters have structured preferences about growth strategies
 - Wage-led vs other growth strategies
 - Wage-led associated with strong union role, full employment vs inflation, fiscal deficits for full employment, less support for trade surpluses, prioritize manufacturing over finance
- > Class matters
 - Employers, self-employed, and managers less likely to select wage-led and more likely to opt for profit-led growth
 - No difference between old and new (service-based) working class
 - Sociocultural professionals strongest supporters of wage-led growth and least favorable to profit-led growth
 - Pensioners have a strong affinity for export-led growth (Vlandas 2018)
- > Sectors matters (to a certain extent)
 - Manufacturing workers less likely to endorse wage-led growth and more likely to favor export-led growth
- > Great disparity between top 1% and the rest of the distribution
 - Across countries, classes, sectors, and income deciles, wage-led always preferred growth strategy
 - Except for the top 1% (export-led growth)
- > Yet strategies for wage-led growth are nowhere to be found: A new representation gap?



Next Steps

- > Does the preference for wage-led growth survive the provision of information about possible negative consequences (survey experiment)?
 - Inflation (Haaland, Roth, Stantcheva and Wohlfart 2024)

- > Increase the number of growth strategy vignettes

- > More focused study of top 1%
 - (If possible) Survey of CEOs and high-level managers

- > Voting choice experiment
 - Do preferences for growth strategy motivate party choice?



Thank you!

