Growth and Welfare in Advanced Capitalist Economies.

How have growth regimes evolved?

Anke Hassel, Hertie School
Bruno Palier, SciencesPo
PART I: THE EVOLUTION OF GROWTH REGIMES AND STRATEGIES

1. Tracking the Transformation of Growth Regimes in Advanced Capitalist Economies
   Anke Hassel and Bruno Palier

2. How Growth Strategies Evolve in the Developed Democracies
   Peter A. Hall

3. European Growth Models Before and After the Great Recession
   Lucio Baccaro and Jonas Pontusson

4. Cross-National Variation in Growth Models: Three Sources of Extra Demand
   Georg Picot

5. Forced Structural Convergence in the Eurozone
   Fritz W. Scharpf

PART II: THE POLITICS OF GROWTH STRATEGIES

6. Transitions to the Knowledge Economy in Germany, Sweden, and the Netherlands
   Kathleen Thelen

7. Growth Strategies and Employers’ Coalitions: Renewing Welfare States
   Cathie Jo Martin

   Anne Wren

PART III: GROWTH STRATEGIES AND WELFARE REFORMS

   Alison Johnston

    Alexander Reisenbichler

11. Fighting Youth Unemployment: Growth Strategies and Youth Welfare Citizenship
    Tom Chevalier

    Sonja Avlijaš, Anke Hassel, and Bruno Palier
Core message of the project

1. There is little convergence of welfare systems despite three decades of liberalization
2. To understand the trajectories of the welfare state we need to understand the trajectory of growth regimes
3. Growth regimes evolve because of governments’ actions guided by specific growth strategies
4. Growth strategies are made of welfare state reforms
5. The politics of growth strategies are driven by producer groups mediated by electoral concerns
Spending on public/private pensions and contributions to private pension plans as a % of GDP, 2001 and 2013
Spending on public/private pensions and contributions to private pension plans as a % of GDP, 2001 and 2013
How to explain the differences?

=> Look at economic strategies, and not only electoral politics or path dependence
Growth regimes: modes of governance of the economy

The engine of growth

- Which sectors contribute to wealth creation, job creation and productivity gains: is it agriculture, manufacturing industry, services (high/low added value services), finance, knowledge-based activities, Information and Communication Technologies?

The institutions organising the economy

- 1. The modes of financing of the economy and corporate governance, 2. Product market regulation (including industrial policies, subsidies, state ownership), 3. Industrial relations, modes and rules of wage setting, labour market rules and organisations, 4. Skill formation systems (education and vocational training), 5. Social policies (social insurances and social assistance).

The main components of aggregate demand

- Private consumption (household and firms), private investment, public spending (consumption and investment), and net exports.
The institutional foundations of growth regimes

Supply side
- market access
- access to capital
- labour costs
- skills

Socio-economic institutions
- product market regulation
- financial system
- wage setting
- social protection
- education and training

Demand side
- relative prices
- debt-driven demand
- wage-driven demand
- automatic stabilizer
- education shapes consumer behaviour
The institutional foundations of growth regimes

Supply side
- market access
- access to capital
- labour costs
- skills

Socio-economic institutions
- product market regulation
- financial system
- wage setting
- social protection
- education and training

Demand side
- relative prices
- debt-driven demand
- wage-driven demand
- automatic stabilizer
- education shapes consumer behaviour
New engines of growth

Financialization
- Savings rate
- House price inflation
- Pension funds

Digital transformation
- Investment in ICT
- Jobs in ICT
Financialization and ICT jobs

The graph shows the relationship between pension funds assets as a percentage of GDP and ICT employment as a percentage of total employment across various countries.

- Countries include: Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Netherlands, Switzerland, United Kingdom, United States, Sweden, and Slovak Republic.

- The x-axis represents ICT employment as a percentage of total employment.
- The y-axis represents pension funds assets as a percentage of GDP.

The data points are plotted on a scatter plot, with a general trend indicating a positive correlation between the two variables.
What is a growth strategy?

**Growth strategy** : a (relatively coherent) series of decisions and reforms, taken by either governments or producers’ groups (economic and social actors) in order to boost growth and stimulate job creation in a specific nation, and the rationale for these decisions.
Empirical cases: export-led growth strategies

Export of High Quality Manufacturing
- Protect the „productive“ ones and Control labour costs
- Dualisation

Export of Dynamic Services
- Skilled and Flexible but well protected workforce
- Social Investment

FDI-led growth
- Control of labour costs, social compensation
- Social and Fiscal Attractiveness
Empirical cases: demand-led growth strategies

- Financialization
  - Privatized welfare
  - Asset based welfare

- Public domestic demand
  - High minimum wage, high social spending
  - Social protectionism
Empirical cases: demand-led growth strategies

- Financialization
  - Privatized welfare
  - Asset based welfare

- Public domestic demand
  - High minimum wage, high social spending
  - Social protectionism

- Domestic demand is unsustainable
  - Competitive impoverishment
Democracy

Government’s decisions

Welfare and Growth strategies

Policies

wage, tax, social contribution, human capital formation, mobilization, privatization

Socio-economic institutions:
- Product markets rules
- Corporate governance/financial system
- Wage setting and labour market
- Education, training
- Social protection

Parties

Welfare

Producers

Capitalism

Democracy

Producers
Growth regimes

Producer groups

Demands

Government

Demands

Voters

Policy feedback

Growth Strategies

Welfare reforms affecting demand and supply side

Policy feedback
Policy Implications

• Not just electoral demand but also growth strategies impact welfare state reforms. Not all reforms are conducive for welfare state development.

• Welfare state reforms are contested not only politically but also economically.

• The EU converges on export-led growth strategies which imply high social and political costs for demand-led growth regimes.

• Balanced growth is key for welfare state progress.