Table 12.7

TABLE 12.7 Types of political economy, recent growth in labor productivity and real compensation, and household income inequality

	Labor productivity growth, 1979-96 (%)[b]		Real compensation growth / year, 1989-96 (%)[c]		Household disposable income inequality (90/10 ratio), circa 1990[d]	
Left Corporatist[a]						
Sweden	2.0	(8)	0.8	(8)	2.78	(17)
Norway	1.8	(10)	1.4	(4)	2.80	(15)
Finland	3.6	(2)	2.3	(1)	2.75	(18)
Denmark	2.1	(6)	1.6	(3)	2.86	(14)
cell avg.	2.4		1.5		2.80	
Left-Catholic Corporatist						
Netherlands	1.6	(12)	0.4	(15)	3.05	(13)
Belgium	2.0	(8)	1.7	(2)	2.79	(16)
Austria	2.3	(3)	1.3	(6)	3.34	(10)
cell avg.	2.0		1.1		3.06	
Catholic Corporatist						
Italy	2.1	(6)	0.7	(9)	3.14	(12)
(West) Germany	1.1	(15)	-0.1	(17)	3.21	(11)
cell avg.	1.6		0.3		3.18	
Corporatist Without Labor						
France	2.2	(4)	1.1	(7)	3.48	(7)
Japan	2.2	(4)	0.7	(9)	4.17	(5)
Switzerland	0.4	(18)	0.7	(9)	3.43	(9)
cell avg.	1.6		0.8		3.69	
Least Corporatist						
United States	0.8	(17)	0.1	(16)	5.78	(1)
United Kingdom	1.8	(10)	0.5	(13)	4.67	(2)
New Zealand	1.3	(13)	-0.8	(18)	3.46	(8)
Australia	1.3	(13)	0.6	(12)	4.30	(3)
Canada	1.0	(16)	0.5	(13)	3.90	(6)
Ireland	3.9	(1)	1.4	(4)	4.18	(4)
cell avg.	1.7		0.4		4.38	
18 country avg.	1.9		0.8		3.6	

[a]Israel missing.

[b]Business sector average percent increase per year. Source: OECD data in Mishel, Bernstein, and Schmitt (1999), table 8.4. The Irish exception is discussed in chapter 2.

[c]Compensation per employee in business sector. Growth rate for West Germany, 1979–91; unified Germany, 1992–96. Source: OECD data analyzed by ibid., table 8.5.

[d]Source: Gottschalk and Smeeding (1997), figure 2. Post-tax and transfer income adjusted by household size based on real income (1991 U.S. dollars) as percentage of national median. The 10th percentile receives a higher income than 10% of the population.
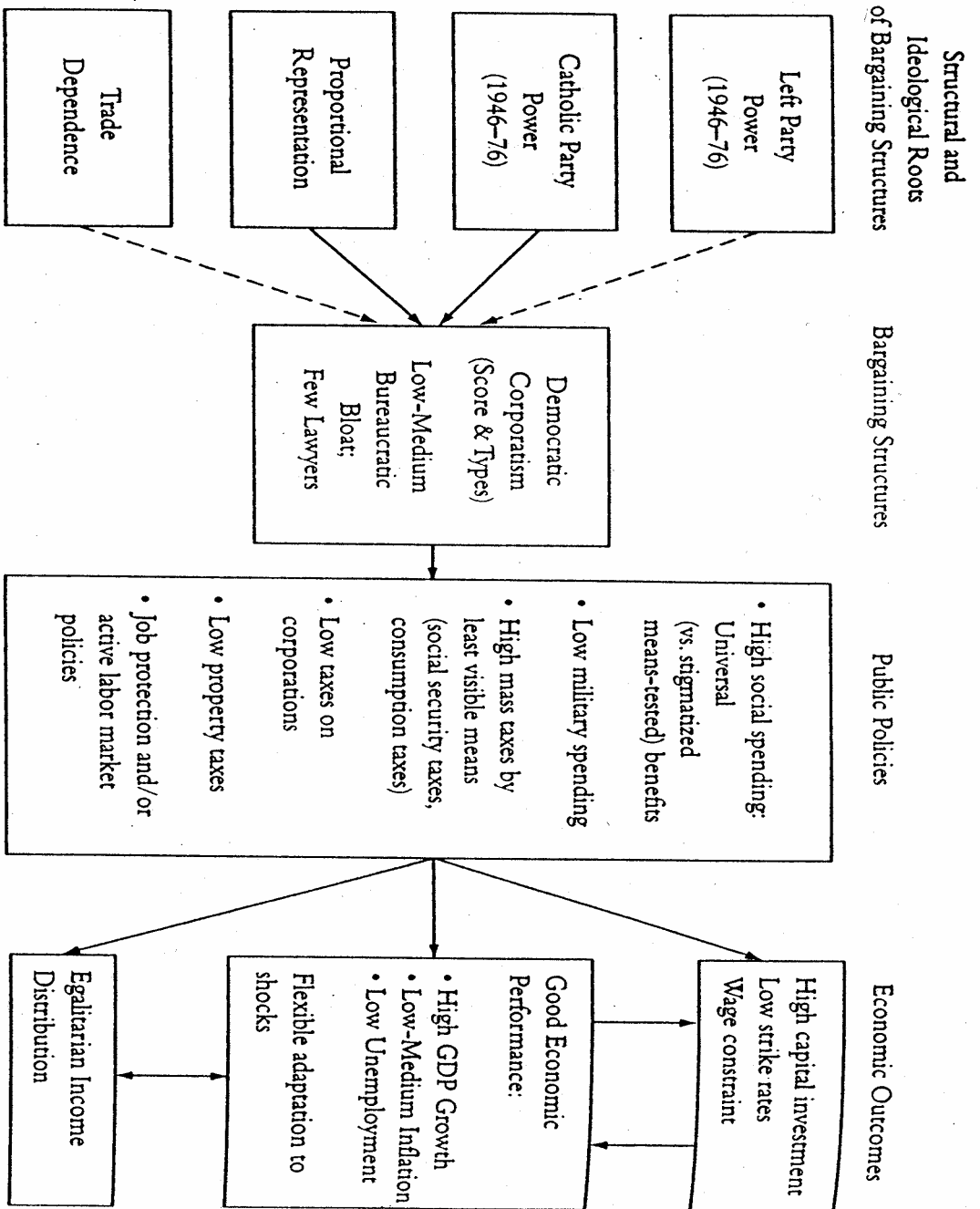
Figure 12.1

Structural and
Ideological Roots
of Bargaining Structures

Bargaining Structures

Public Policies

Economic Outcomes

Left Party
Power
(1946–76)

Catholic Party
Power
(1946–76)

Proportional
Representation

Trade
Dependence

Democratic
Corporatism
(Score & Types)

Low-Medium
Bureaucratic
Bloat;
Few Lawyers

- High social spending:
  Universal
  (vs. stigmatized
  means-tested) benefits
- Low military spending
- High mass taxes by
  least visible means
  (social security taxes,
  consumption taxes)
- Low taxes on
  corporations
- Low property taxes
- Job protection and/or
  active labor market
  policies

High capital investment
Low strike rates
Wage constraint

Good Economic
Performance:
- High GDP Growth
- Low-Medium Inflation
- Low Unemployment
Flexible adaptation to
shocks

Egalitarian Income
Distribution

Figure 12.1. Causal model for regression analyses of the major sources of economic performance,
nineteen rich democracies

TABLE 12.5 THE INTERACTION OF CORPORATISM, VULNERABILITY TO ENERGY SHOCKS, WELFARE EFFORT, AND ECONOMIC PERFORMANCE, 1950 TO 1989

High Vulnerability to Energy Shocks, 1970

Corporatist without Labor: Lean Spenders

	Econ. Perf. Index				
	1950 -74	1965 -74	1974 -79	1980 -84	1985 -89
Japan	4	4	6	6	6
Switzerland	4	3	4	5	5
Averages	4.0	3.6	5.0	5.5	5.5

Corporatist Big Spenders

	Econ. Perf. Index				
	1950 -74	1965 -74	1974 -79	1980 -84	1985 -89
Sweden	4	3	3	4	3
Finland	4	3	2	4	3
Belgium	4	5	3	3	4
Denmark	3	2	2	2	2
Italy	3	2	1	1	2
Averages	3.6	3.0	2.2	2.8	2.8

Low to Medium Vulnerability to Energy Shocks, 1970

Corporatist without Labor: Big Spender

	Econ. Perf. Index				
	1950 -74	1965 -74	1974 -79	1980 -84	1985 -89
France	3	5	4	1	2
Averages	3.0	5.0	4.0	1.0	2.0

Corporatist Big Spenders**

	Econ. Perf. Index				
	1950 -74	1965 -74	1974 -79	1980 -84	1985 -89
W. Germany	5	4	5	4	4
Norway*	4	3	6	5	3
Austria	4	6	6	5	5
Netherlands*	4	3	4	2	2
Israel	2	2	1	-	-
Averages	3.8	3.6	4.4	4.0	3.5

Least Corporatist Lean Spenders

	Econ. Perf. Index				
	1950 -74	1965 -74	1974 -79	1980 -84	1985 -89
New Zealand	3	3	2	2	1
Australia*	3	3	1	3	2
United States*	2	3	2	4	4
Canada*	2	3	4	1	4
United Kingdom*	2	1	2	1	2
Ireland	1	1	2	2	3
Averages	2.2	2.2	1.7	2.2	2.3

**Germany a marginal case of corporatism; Israel a lean spender.

*Least vulnerable to energy shocks

FIGURE 2.1: MODEL EXPLAINING PERFORMANCE AMONG 19 RICH DEMOCRACIES INCLUDING ECONOMIC PERFORMANCE

Bargaining
Structures

Policies

Outputs

Leftism

Catholicism

Proportional
Representation

Trade
Dependence

Democratic
Corporatism

- High social spending
  holding 65+ constant;
  universal, least means-
  tested benefits
- High taxes by least
  visible means
- Low strike rates
- High capital
  investment
- Active labor market
  policy
- Expansive, innovative
  family policies
- Medium central bank
  autonomy
- Regulatory
  reasonableness

- Low-medium tax-welfare
  backlash; slower party
  decline, if any
- Medium to excellent
  economic performance
- Most egalitarian
  income distribution
- Least mayhem
- Good health
  performance
- Better execution of
  health, safety, and
  environmental laws