



# From modernization to the knowledge economy: the trajectories of Austria and Europe

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# Three claims



- 1. In the decades since WWII, we have seen profound changes in how the economy works, i.e. in how growth and employment are generated
- 2. Each era is marked by a 'growth regime', i.e. distinctive economic and social policies, which are components of the 'social contract'
- 3. These growth regimes are political constructions, because economic policy-making is always political coalition-building

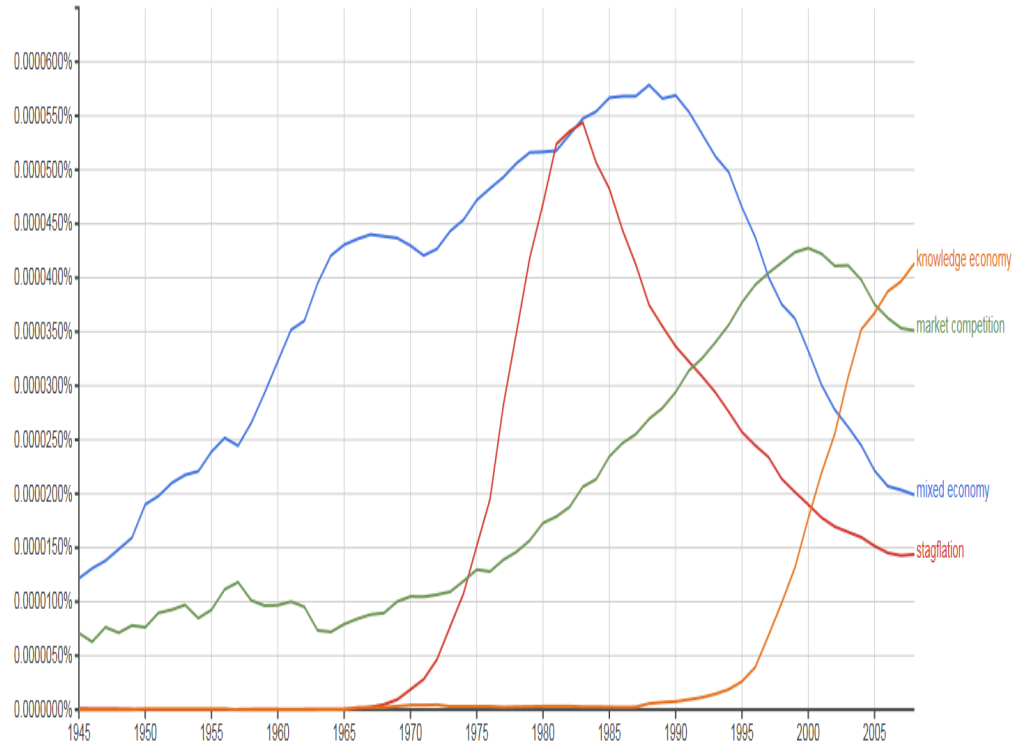
# Four Postwar Eras

1. An era of modernization  
(1950-70)

2. An era of stagflation  
(1970-79)

3. An era of liberalization  
(1980-1999)

4. An era of uncertainty  
(2000- )



**Frequency of the phrases:**

**'mixed economy', 'stagflation', 'market competition' and  
'knowledge economy'**

**– in all English language books 1945-2008 Google Ngram.**

# An era of modernization 1950-1970



## The economic basis for growth and employment:

- prominence of mass manufacturing
- movement from agriculture to industry
- renders semi-skilled labor productive

Table 6.1. Structure of employment in western Europe, 1950–70 (percentage share: I = Agriculture, II = Industry, III = Services)

	1950			1960			1970		
	I	II	III	I	II	III	I	II	III
Austria	34.0	35.4	30.6	24.2	39.7	36.1	18.8	40.3	40.9
Belgium	10.1	46.8	43.1	8.4	45.3	46.3	4.6	42.1	53.3
Denmark	25.1	33.3	41.6	17.8	36.1	46.1	11.3	37.1	51.7
France	28.3	34.9	36.8	21.4	36.2	42.4	13.9	38.5	47.6
West Germany	22.2	43.0	34.8	13.8	48.2	38.0	8.5	48.4	43.1
Italy	45.4	28.6	26.0	32.2	36.3	31.5	19.1	43.0	37.9
Netherlands	13.9	40.2	45.9	11.1	39.1	49.8	7.0	37.7	55.3
Norway	29.8	33.2	37.0	20.9	34.5	44.7	13.5	36.1	50.4
UK	5.1	46.5	48.4	4.1	47.8	48.1	3.2	44.1	52.7

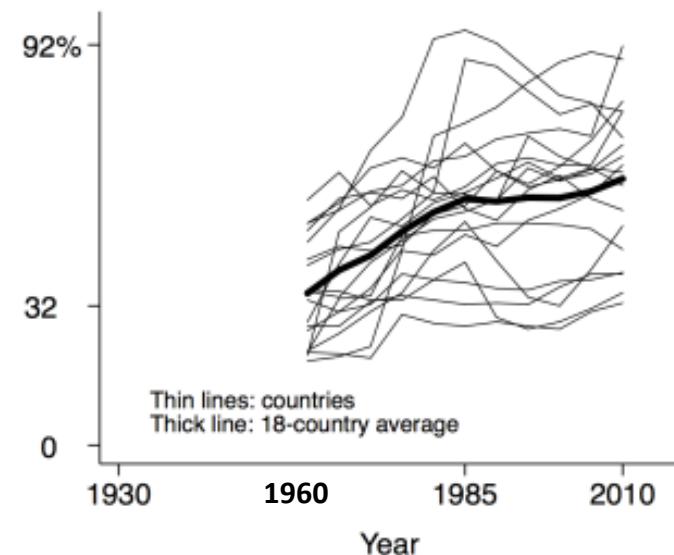
Source: I. Lateson and J.W. Wheeler (eds), *Western Economies in Transition: Structural Change and Adjustment Policies in Industrial Countries* (London, 1980), Table 3.2, p. 47.

# An era of modernization 1950-1970



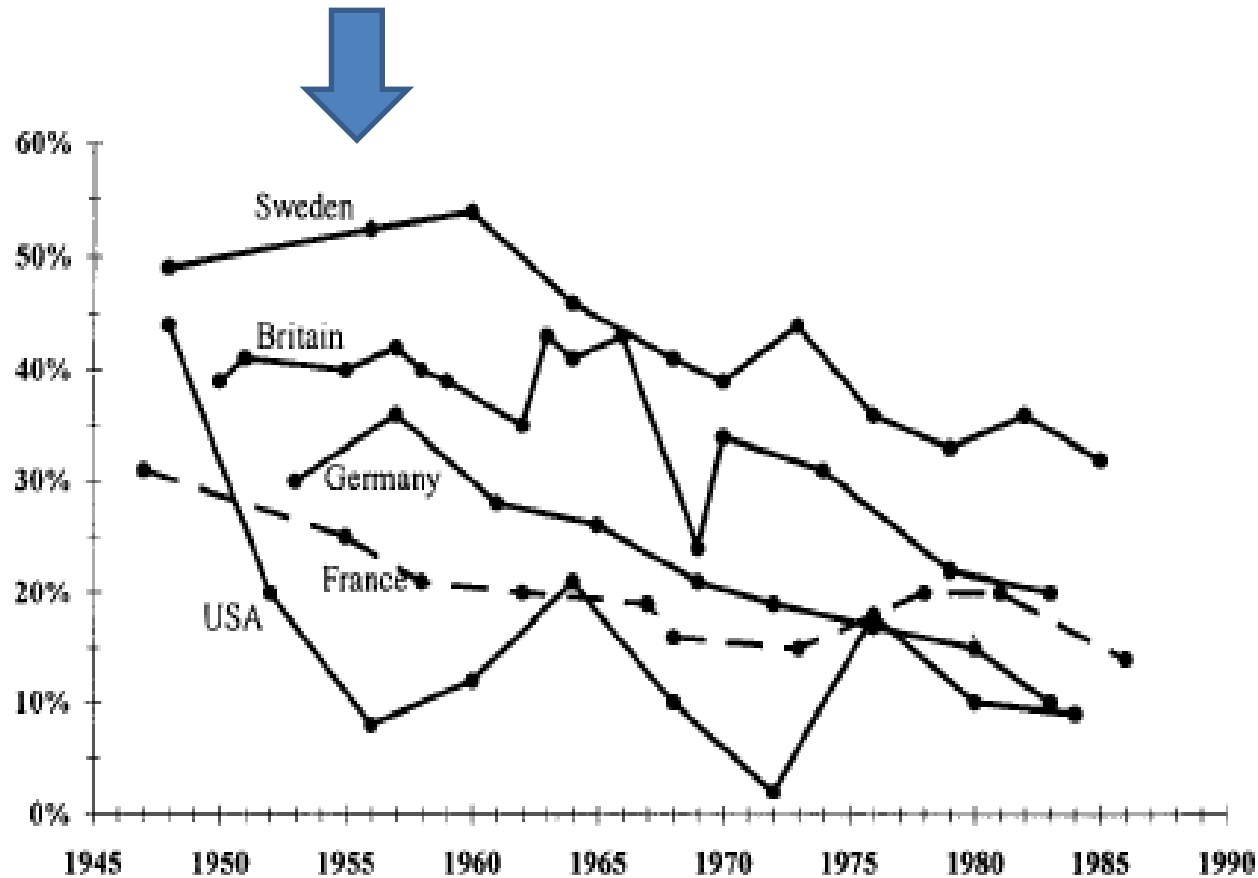
## Growth regimes oriented to the managed economy:

1. use active macroeconomic management aimed at full employment
2. institutionalize regularized collective bargaining
3. expand social security benefits



**Replacement rates for social insurance programs 1960-2010**

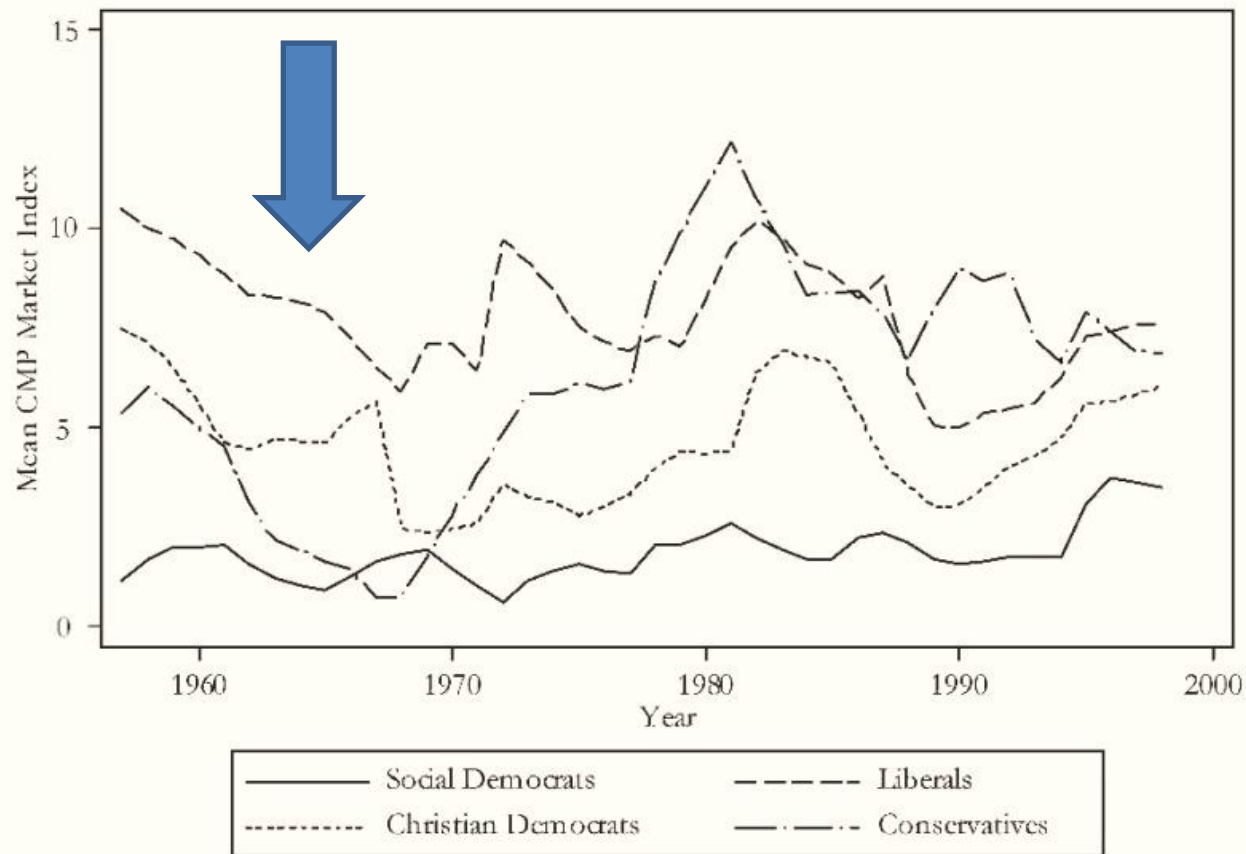
## Electoral politics of the 1950s/1960s is dominated by a class cleavage



Manza et al. 1995

**Alford index indicating the level of class-based voting**

## Competition around a class cleavage induces convergence in party platforms toward the 'managed economy' in the 1950s and 1960s



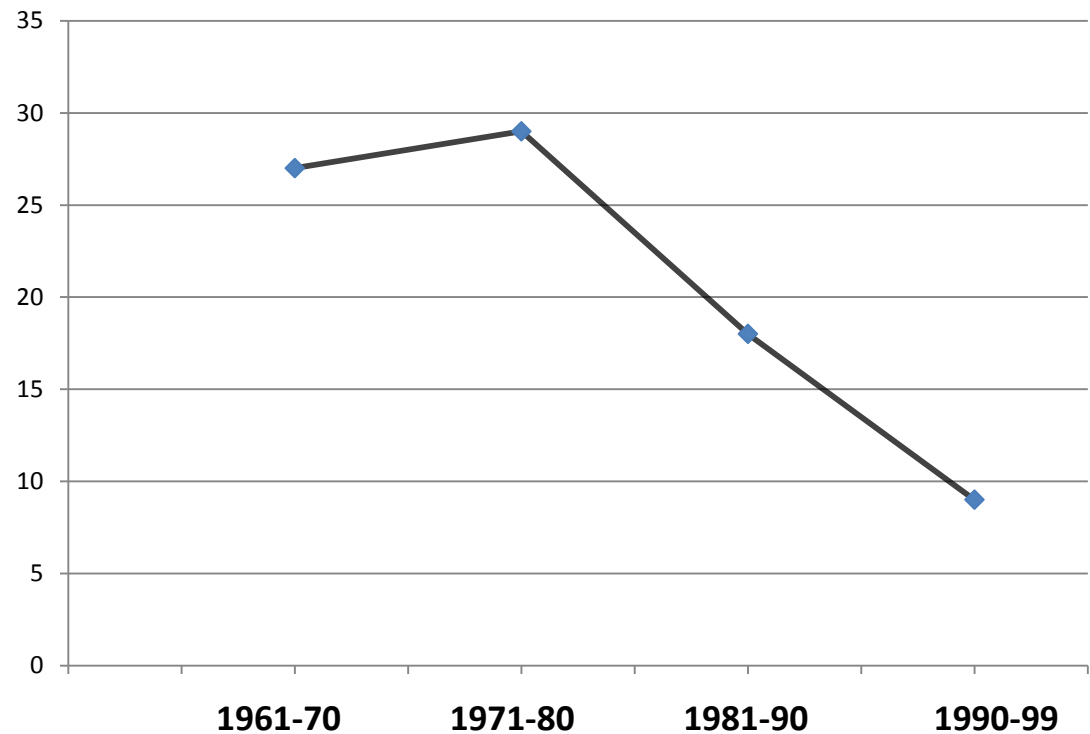
Manow et al. 2008

Support for 'free markets' in party platforms of parties in the EU 1957-99

## Social Partners meet in 2017



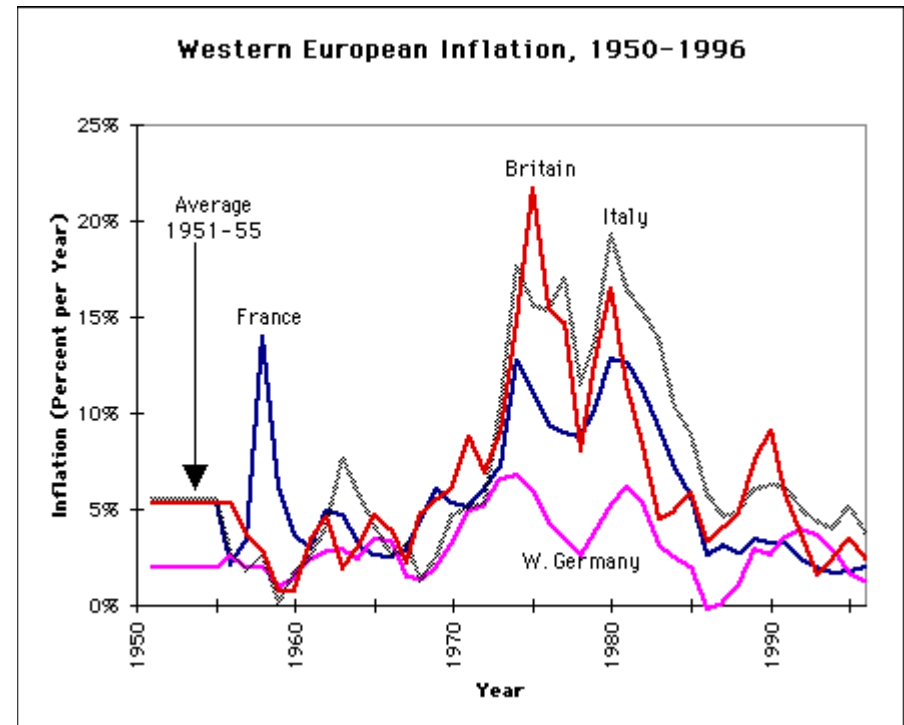
## Alford index indicating the level of class-based voting in Austria





# The turbulent 1970s: a climacteric

- stagflation discredits Keynesian policies
- industrial conflict inspires a backlash against trade unions
- Europe is said to suffer from 'Eurosclerosis'
- governments look for alternatives to the growth regimes of the managed economy

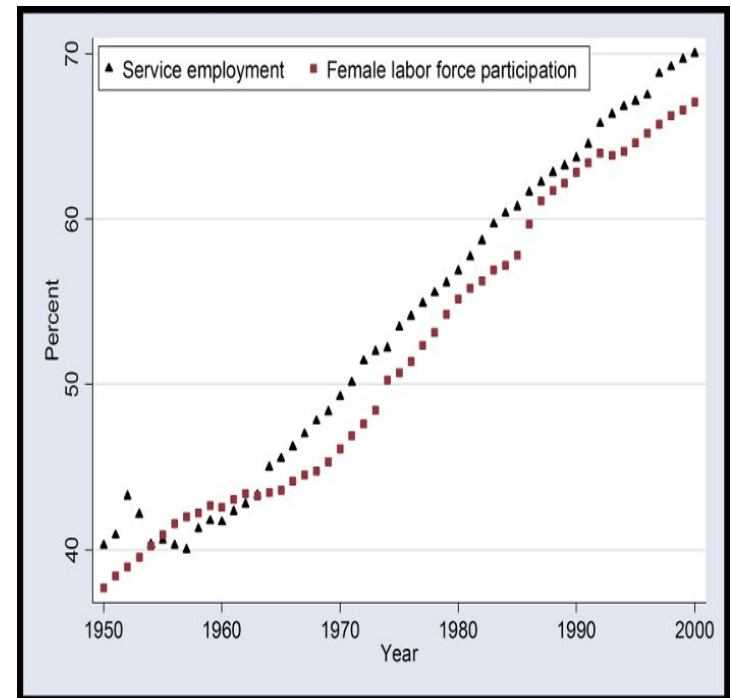


# An era of liberalization 1980-2000



## The economic basis for growth and employment shifted:

- rising trade outsources manufacturing jobs
- employment creation shifts toward services
- capital formation becomes more dependent on foreign investment



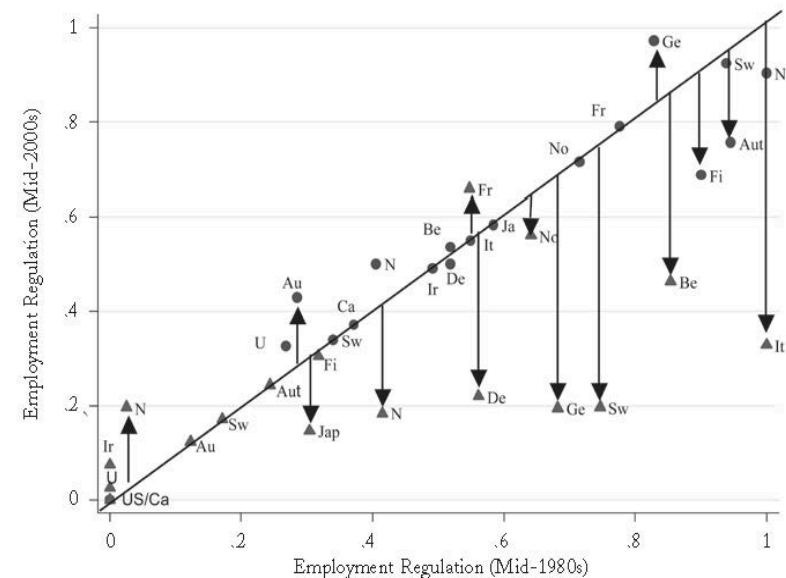
Employment in services and female employment as % total employment  
OECD

# An era of liberalization 1980-2000



**Growth regimes are now oriented to neoliberal policies:**

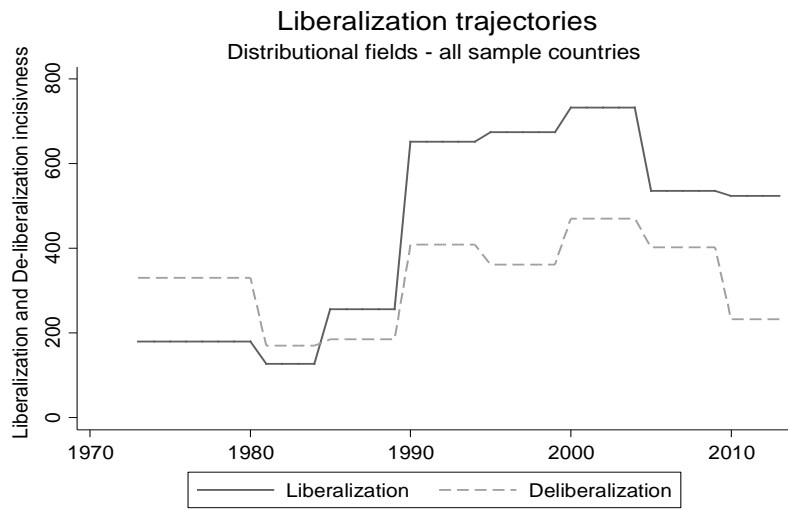
1. supply-side policies replace demand-side economic management
2. deregulation to make product and labor markets more intensely competitive
3. welfare increasingly oriented toward 'workfare'



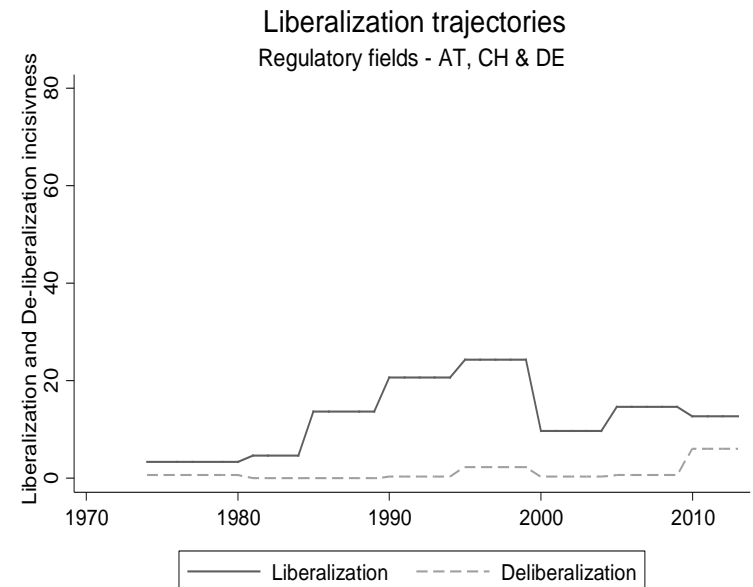
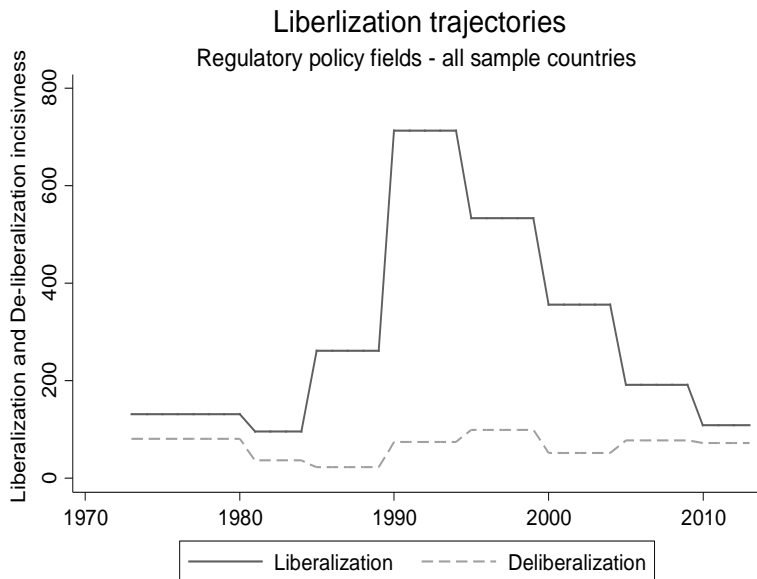
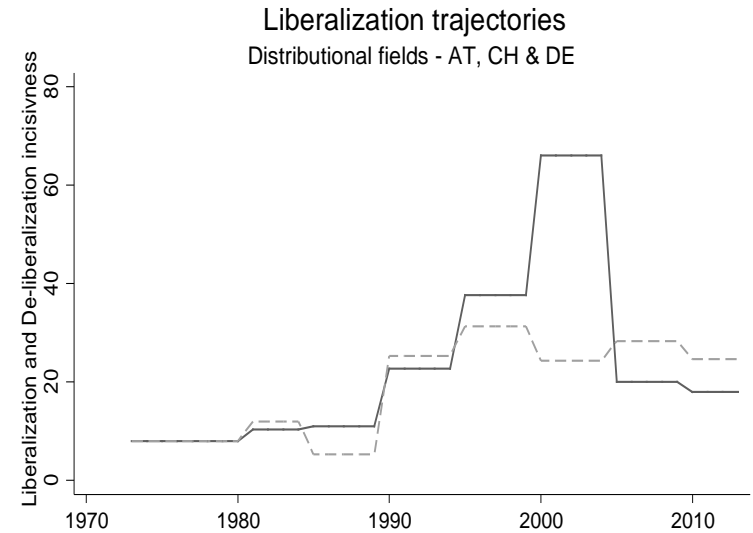
**Employment regulation  
mid-1980s vs early 2000s  
OECD**

# Movement to liberalizing policies

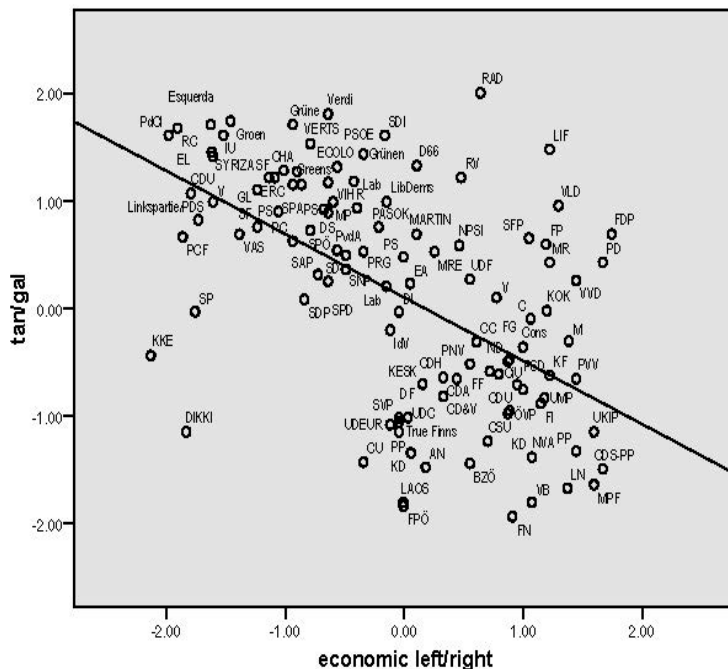
## OECD



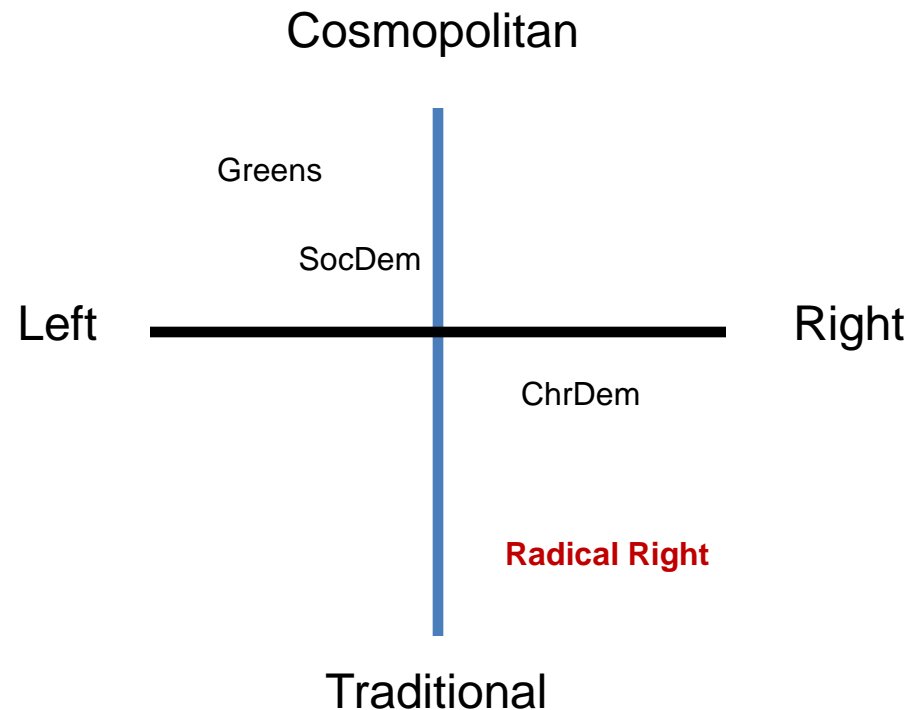
## Austria, Switzerland, Germany



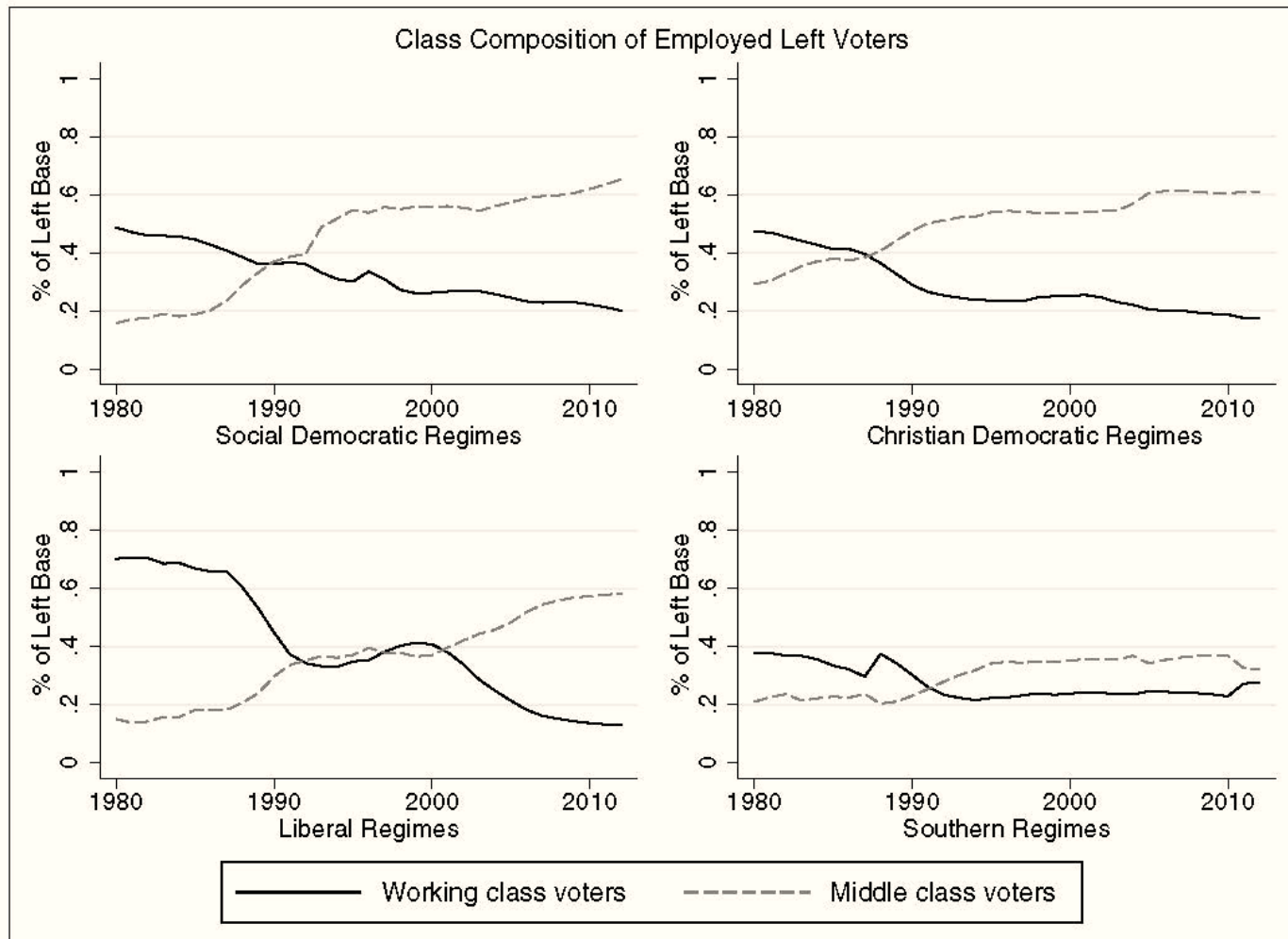
# The class cleavage is cross-cut by a values cleavage



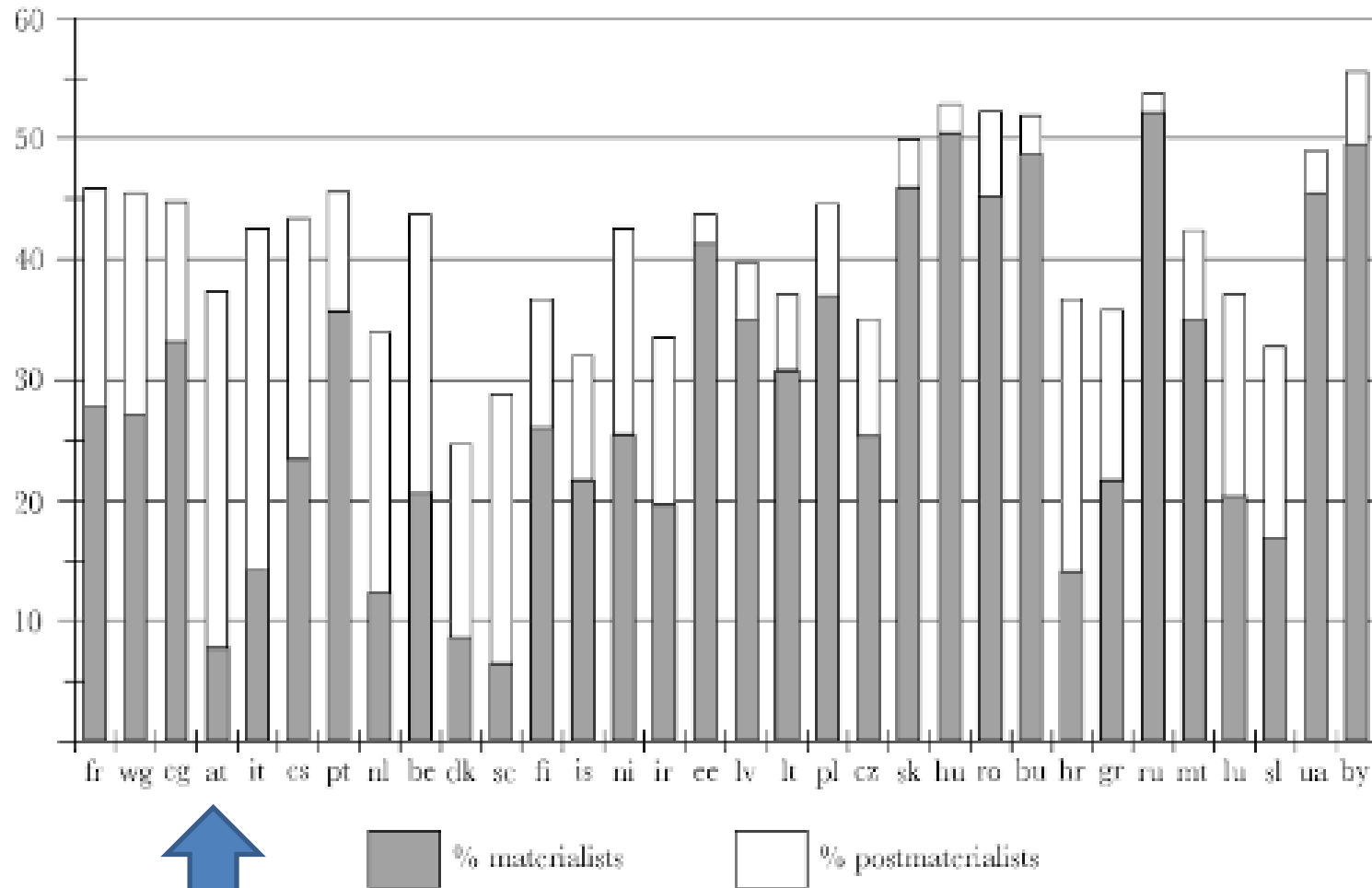
**Placement of West European parties on distributive issues (X axis) and values issues (Y axis) 2006.**



## Center-left parties develop a middle class constituency that limits their ability and willingness to act as parties of working-class defense



# Percent of post-materialists in 2000

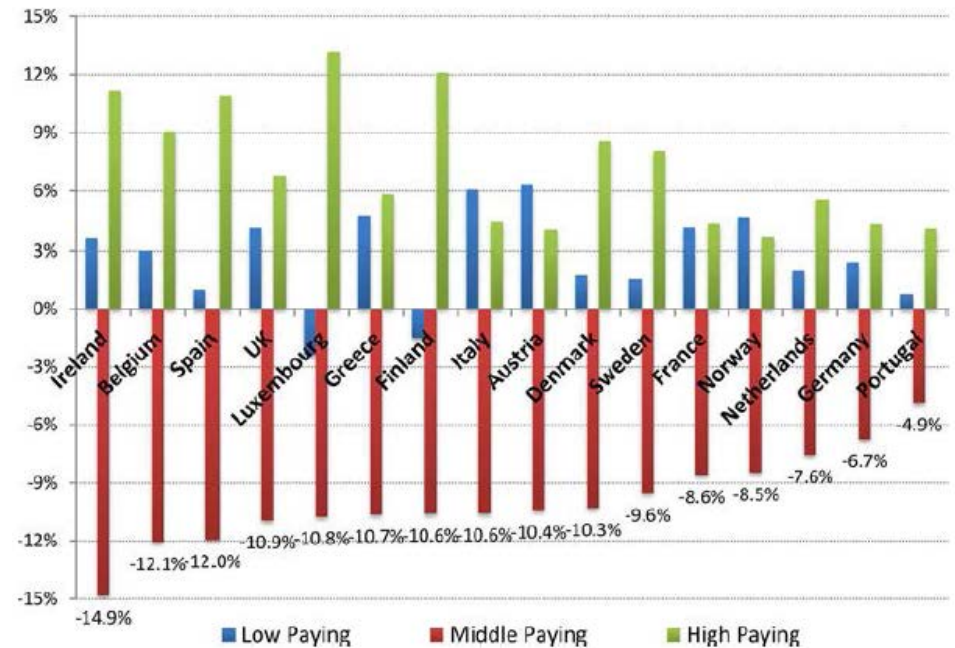


# An era of uncertainty? 2000 -



## The economic basis for growth and employment shifts again:

1. Growth is more dependent on technological innovation
2. This requires a labor force with high levels of skill
3. It requires 'adventurous' capital

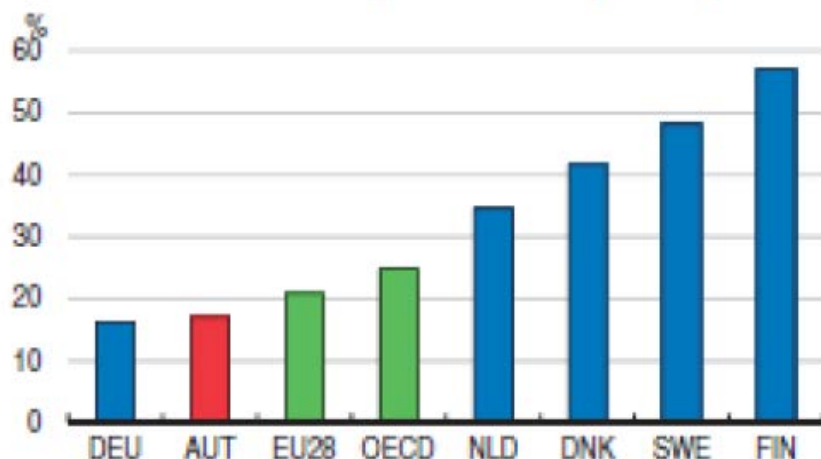


Change in occupational shares in low, middle and high wage occupations, 1993-2010



# Austria lags in preparations for a knowledge economy

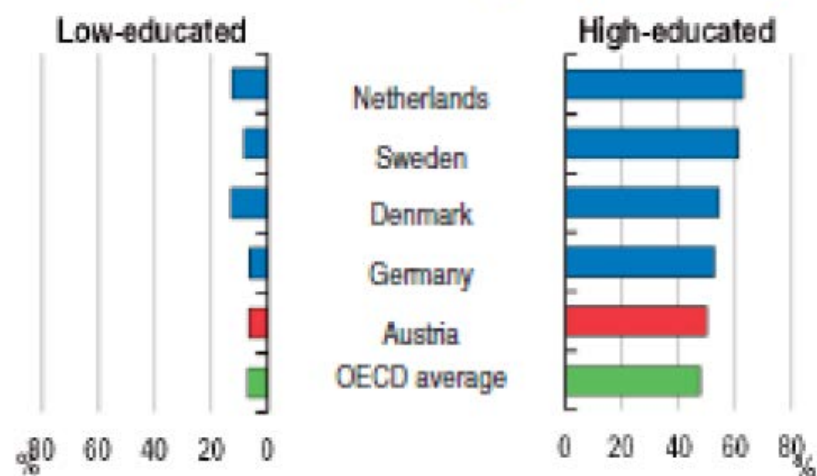
Share of firms using cloud computing, 2016




Source: Eurostat and OECD Digital Economy Outlook 2017 (forthcoming).

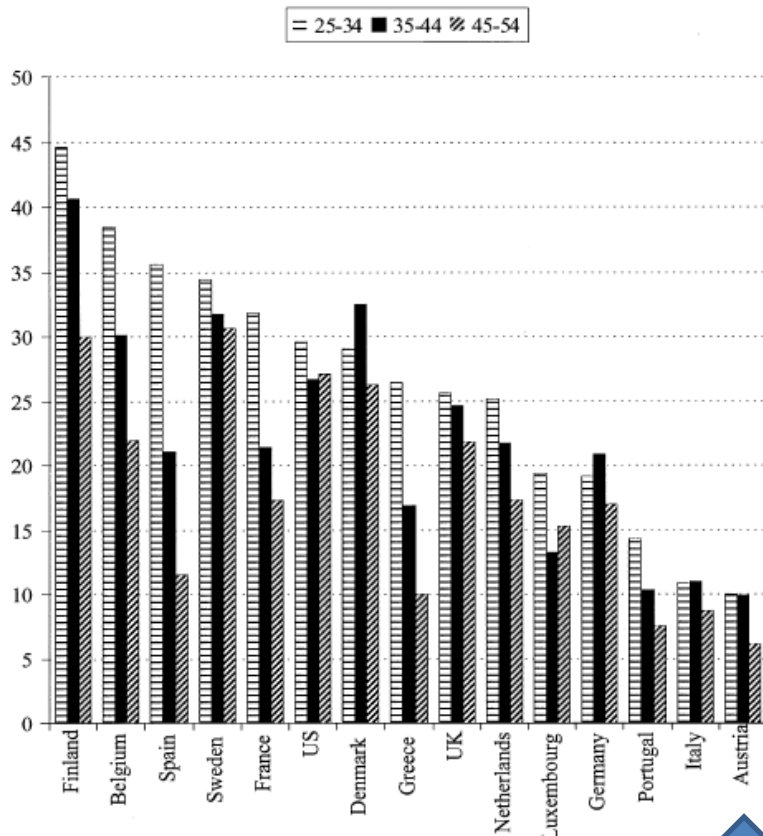
StatLink  <http://dx.doi.org/10.1787/888933537121>

Adults with advanced digital proficiency

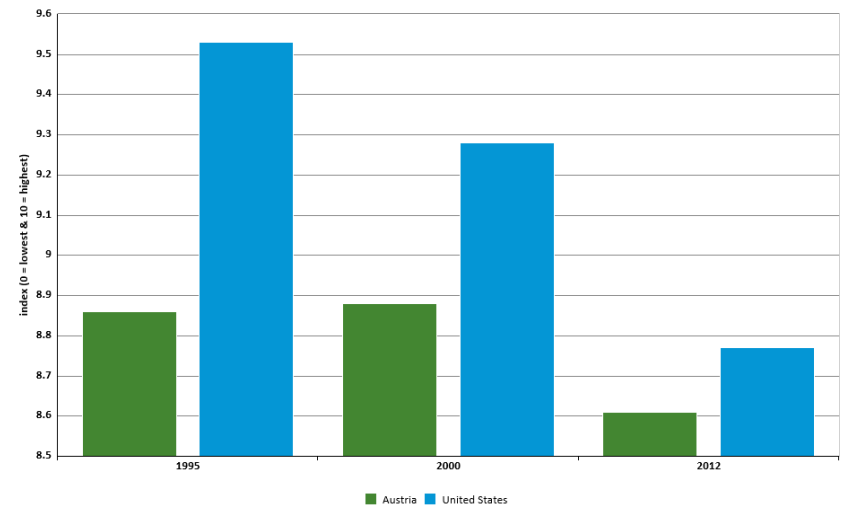


Source: Survey of Adult Skills (PIAAC) (2012, 2015).

StatLink  <http://dx.doi.org/10.1787/888933537140>

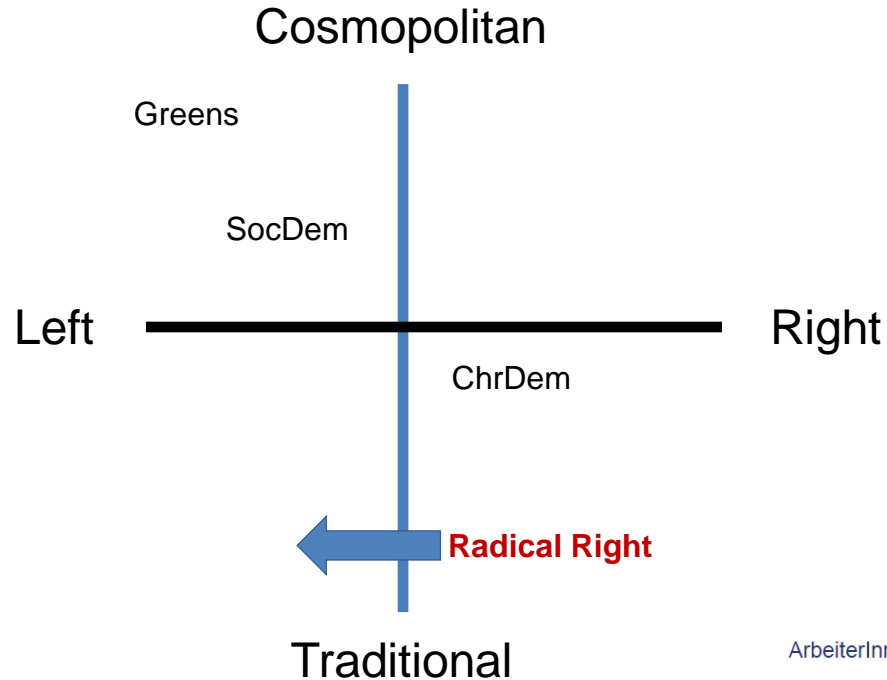


Percent of women aged 25-54  
with tertiary education in 1999

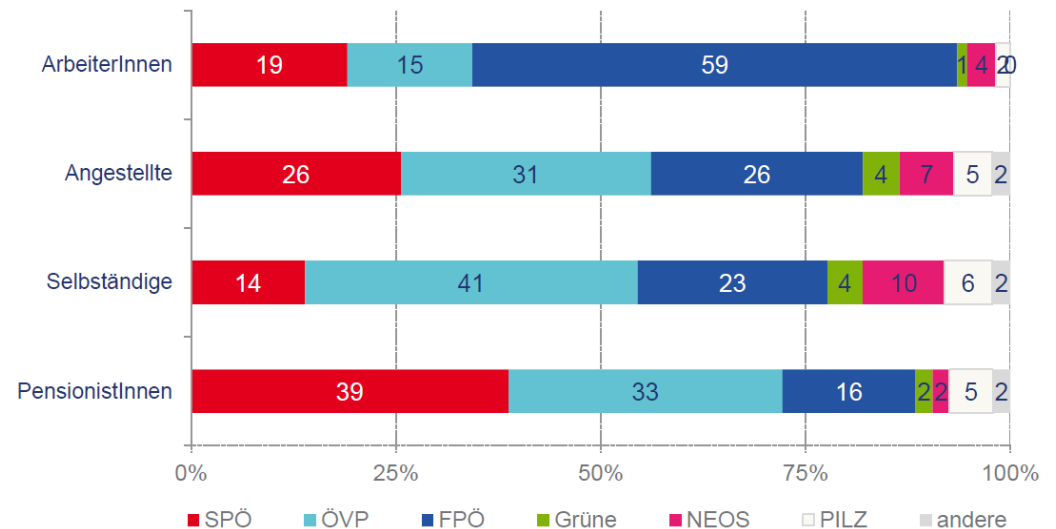


Readiness for a knowledge economy in  
Austria (green) and the US (blue) 1995-2012

# The politics of uncertainty



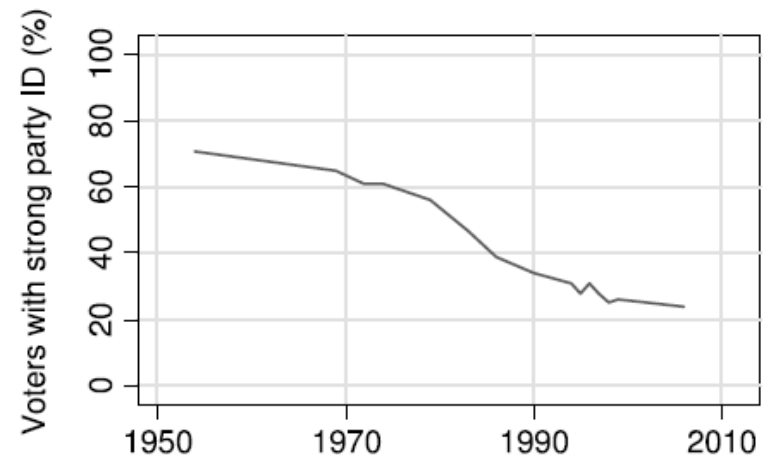
Vote by occupation in 2017 Austrian election



# New growth regimes? A new social contract?

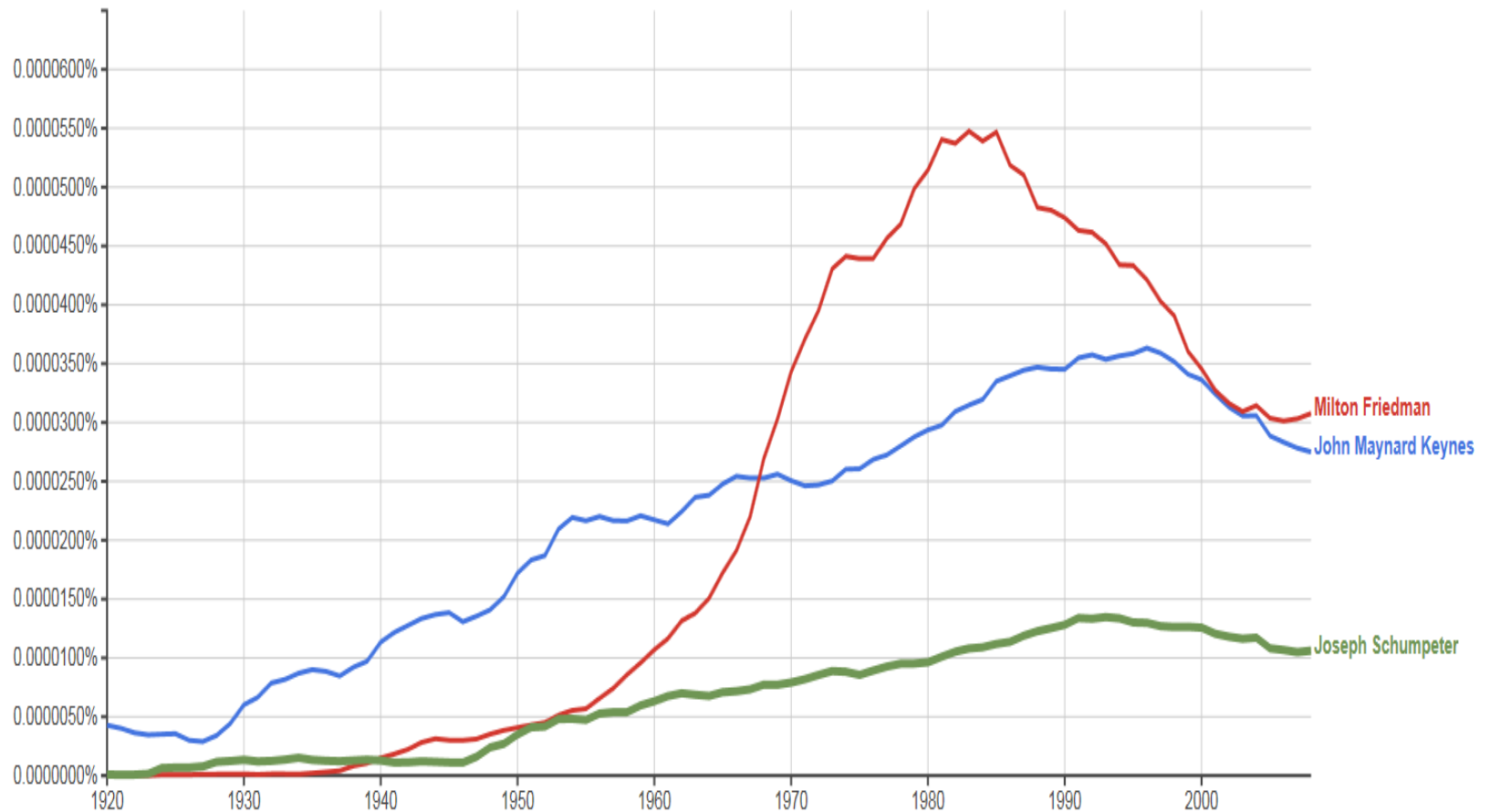


- Perhaps a retreat from international integration, as trade protection replaces social protection?
- Ad hoc coalitions and policies in a context of electoral fragmentation?
- Are there coalitions to promote knowledge-based growth?
- But social partnership gives Austria a hidden advantage – cf. Sweden



Electoral dealignment in Austria

# A new Schumpeterian era?



**Frequency of the phrases – ‘John Maynard Keynes’, ‘Milton Friedman’ and ‘Joseph Schumpeter’ – in all English language books 1920-2008 Google Ngram.**



Thank You