

Models of Econ Policy

Economic and Fiscal Policy

Recap

Concepts

- What is meant by the following keywords:
 - Economic institutions
 - Strategic interaction
 - Relational firm
 - Institutional complementarities
- What is unclear about the text?

VOC

- Strategic interaction in the „battle of sexes“
- Players, strategies (columns and rows), payoffs
- Equilibrium

	<i>F</i>	<i>R</i>
<i>F</i>	2, 1	0, 0
<i>R</i>	0, 0	1, 2

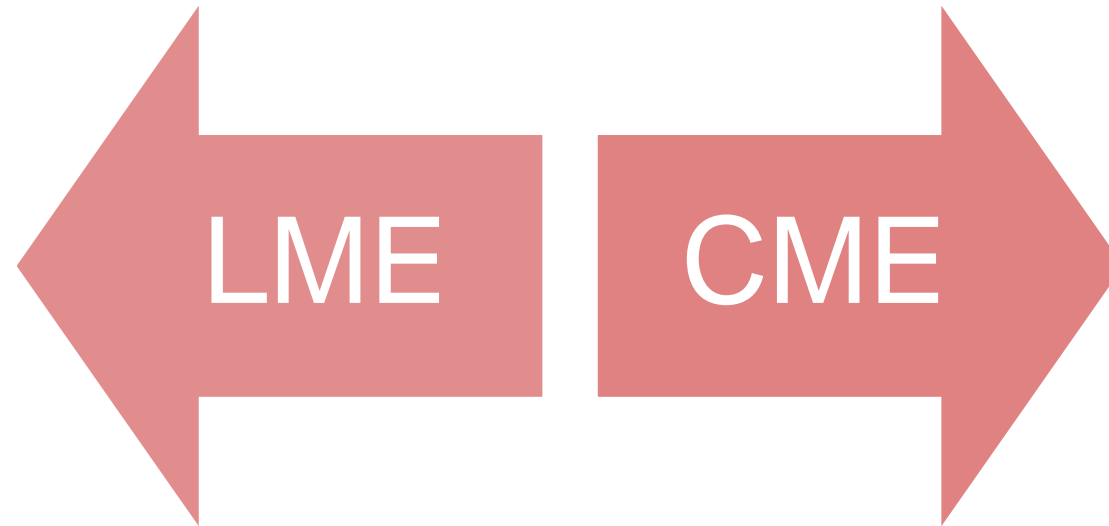


- Institutions: rules, formal or informal, that actors generally follow, whether for normative, cognitive, or material reasons
 - „socialising agencies that instill a particular set of norms or attitudes in those who operate within them“ (H&S 01) – french civil servants in regulation school
 - Confer power on actors through (resources for mobilisation) – trade union leaders and industrial captains in corporatism
 - Sanctions and incentives – wage restraint
 - Strategic interaction
- organizations as durable entities with formally recognized members, whose rules also contribute to the institutions of the political economy



- Firm must establish relationships to resolve coordination problem – institutions determine how firms do this
 - Industrial relations (wage growth, unemployment, inflation)
 - VET (skills)
 - Corporate governance (access to finance)
 - Inter-firm relations (R&D, standards)
 - Intra-firm (principal agent, info sharing)

Coordination



Clustering

- Mechanism
 - Institutions support analogous forms of coordination in different spheres
 - Firm pressure on government to establish complementarities to promote efficiency.
- Broader clustering of institutions

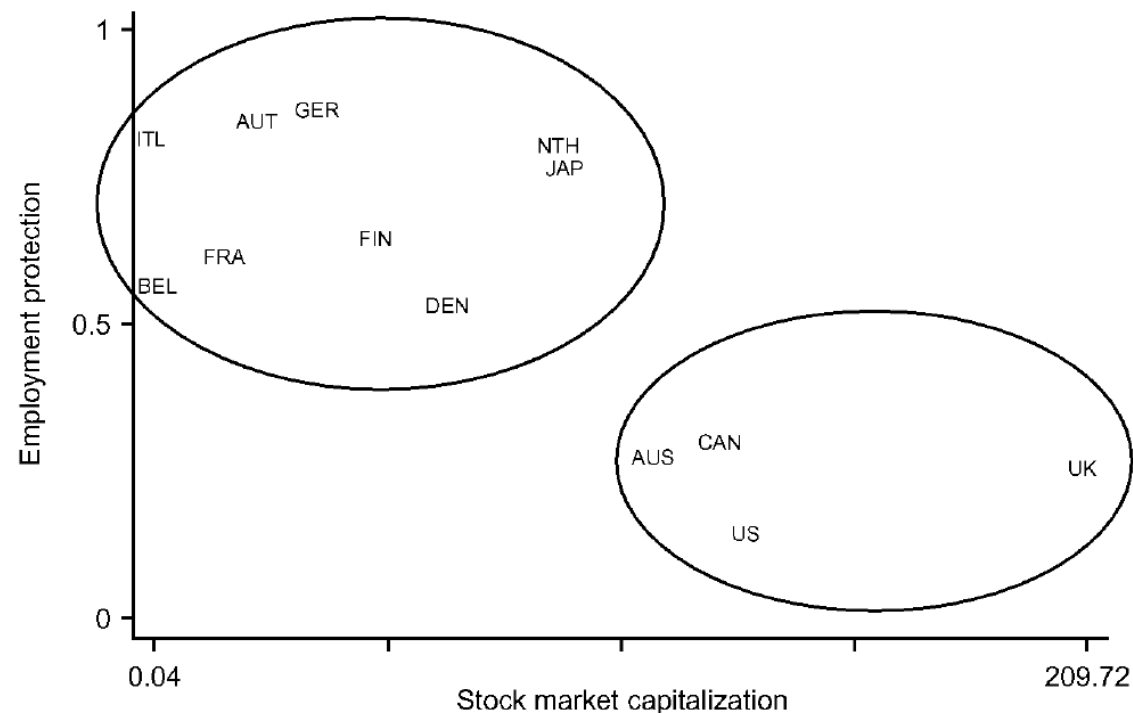
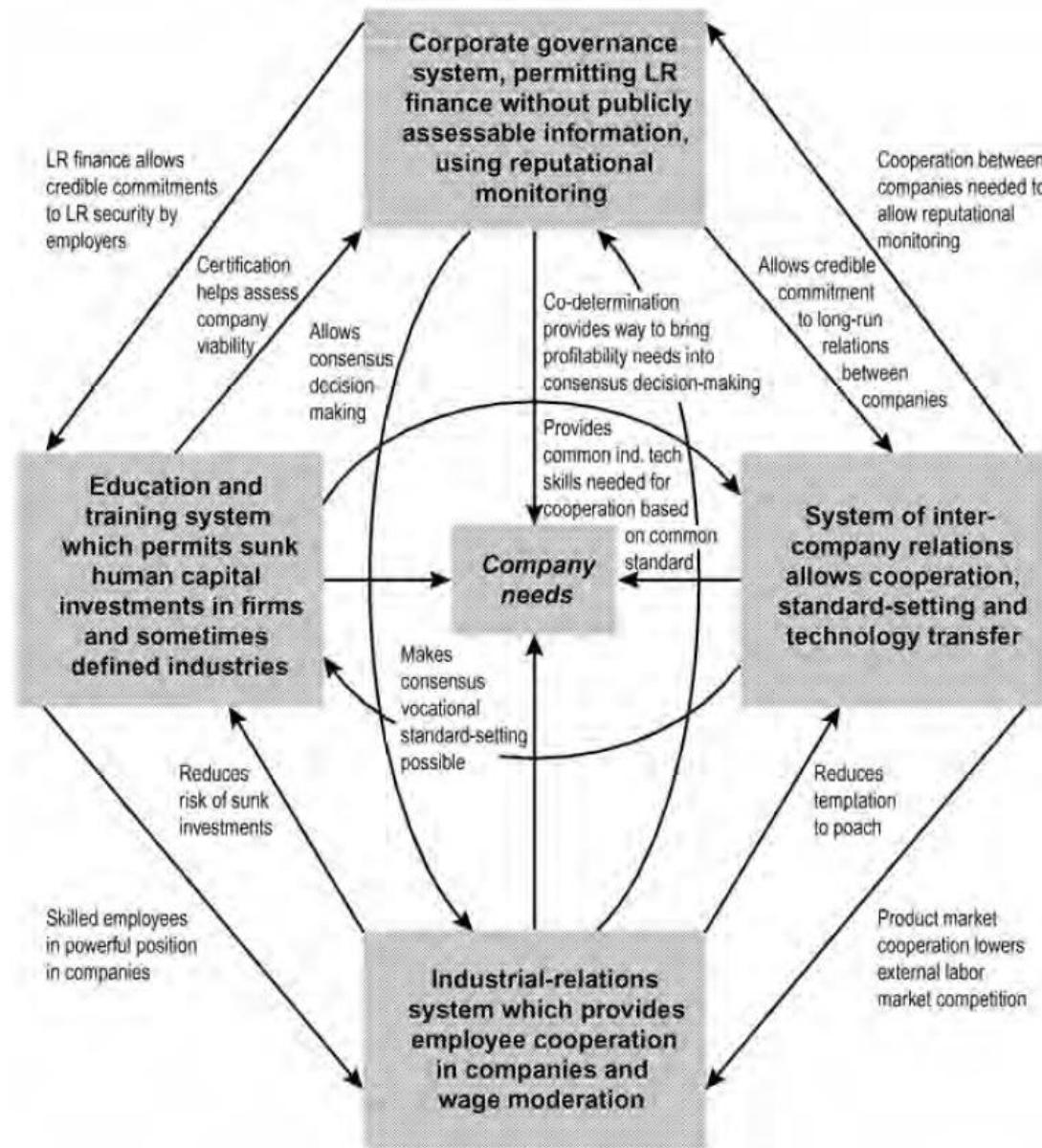


FIG. 1.1 Institutions across sub-spheres of the political economy





- Die FFG wurde durch das Bundesgesetzblatt I Nr. 73/2004 "Forschungsförderungsgesellschaft Errichtungsgesetz" (kurz FFG Gesetz) mit 1. September 2004 gegründet -> Förderung von Forschung, Technologie, Entwicklung, Innovation und Digitalisierung
 - Durchführung strategischer Fördermaßnahmen und -programme für FTEI+D
 - Förderung der Kooperation von Wissenschaft und Wirtschaft
 - Unterstützung des Bundes bei der Konzeption und Weiterentwicklung von FTEI+D-Förderungsmaßnahmen
 - Unterstützung des Bundes bei Beratungsleistungen, Mittlungsleistungen sowie durch Entwicklung, Umsetzung und Monitoring von strategischen und operativen Maßnahmen
 - ...
- <https://www.ffg.at/FFG/Management-Organe>





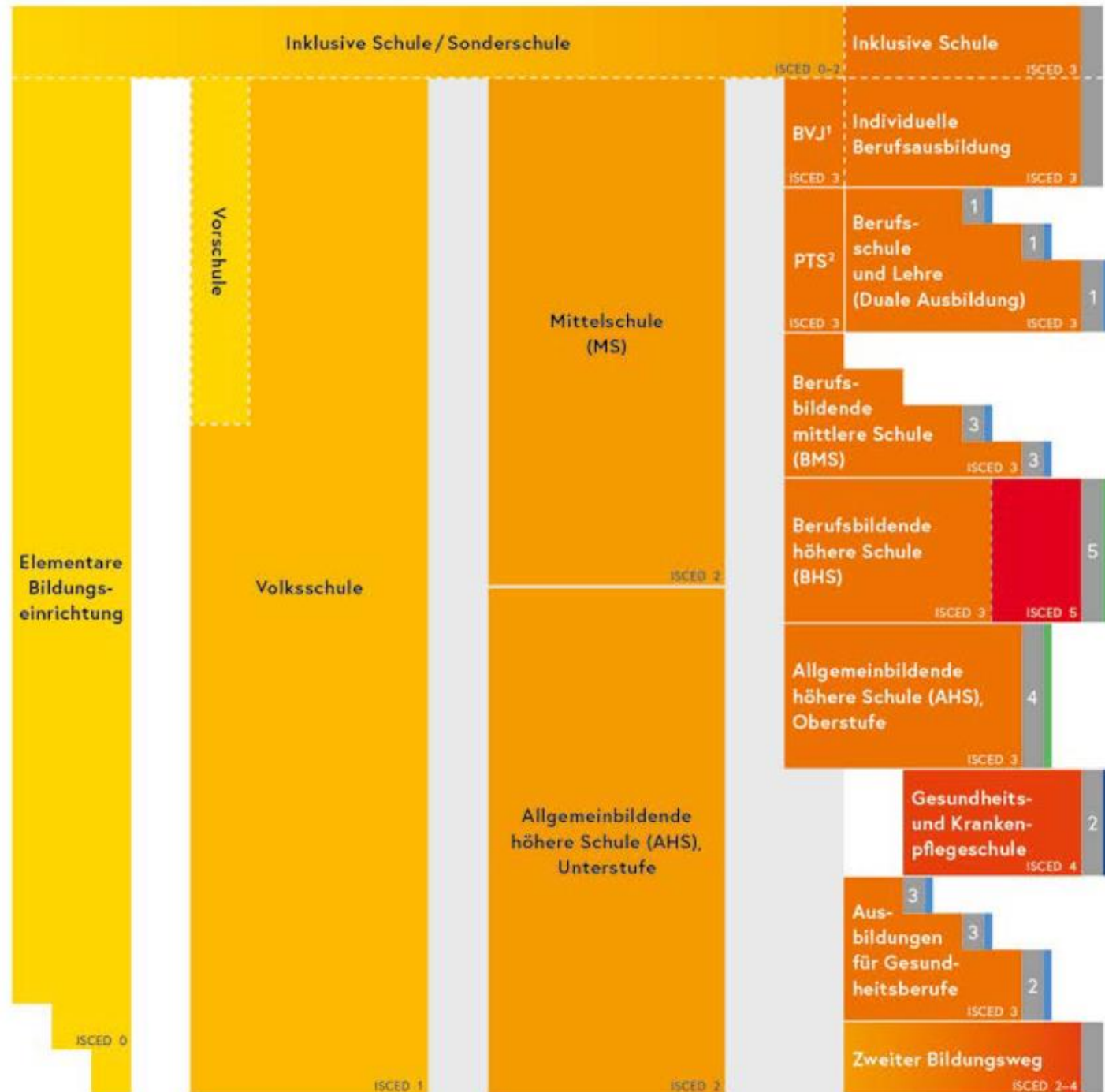
<https://www.sozialpartner.at/>



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OGB





Equity and efficiency

Liberal market economies

	Growth rate of GDP			GDP per capita		Unemployment rate		
	61–73	74–84	85–98	74–84	85–97	60–73	74–84	85–98
Australia	5.2	2.8	3.3	7932	16701	1.9	6.2	8.5
Canada	5.3	3.0	2.3	9160	18835	5.1	8.4	9.5
Ireland	4.4	3.9	6.5	4751	12830	5.0	9.1	14.1
New Zealand	4.0	1.8	1.7	7378	14172	0.2	2.2	6.9
UK	3.1	1.3	2.4	7359	15942	2.0	6.7	8.7
United States	4.0	2.2	2.9	11055	22862	4.9	7.5	6.0
LME average	4.3	2.5	3.2	7939	16890	3.2	6.7	8.9

Equity and efficiency

Coordinated market economies

	Growth rate of GDP			GDP per capita		Unemployment rate		
	61–73	74–84	85–98	74–84	85–97	60–73	74–84	85–98
Austria ^a	4.9	2.3	2.5	7852	17414	1.6	2.2	5.3
Belgium	4.9	2.0	2.2	8007	17576	2.2	8.2	11.3
Denmark	4.4	1.8	2.2	8354	18618	1.4	7.1	9.3
Finland	5.0	2.7	2.2	7219	15619	2.0	4.8	9.4
Iceland	5.7	4.1	2.7	8319	18285	0.6	0.6	2.5
Germany	4.3	1.8	2.2	7542	16933	0.8	4.6	8.5
Japan	9.7	3.3	2.6	7437	18475	1.3	2.1	2.8
Netherlands ^b	4.9	1.9	2.8	7872	16579	1.5	5.6	6.8
Norway	4.3	4.0	2.9	8181	19325	1.6	2.1	4.3
Sweden	4.2	1.8	1.5	8450	16710	1.9	2.3	4.8
Switzerland	4.4	.58	1.3	10680	21398	.01	0.4	2.5
CME average	5.1	2.4	2.3	8174	17902	1.3	3.6	6.1

Equity and efficiency

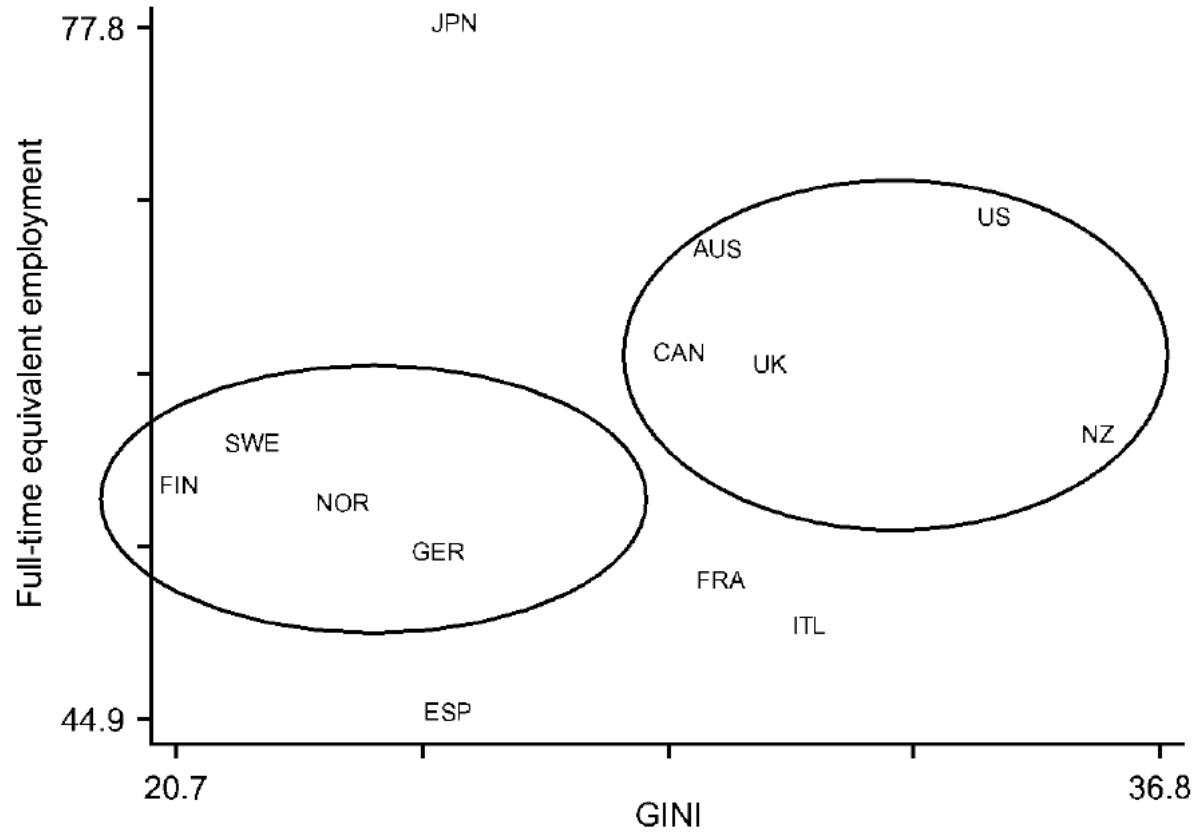


FIG. 1.2 Distributional outcomes across political economies

Policy

What are the implications of VOC for policy making?

Typology

Is this type of model useful? Why do we use it? What are drawbacks?

Econ and social policy

- In VoC, welfare states vary, but not in terms of decommodification (“politics against markets”) – differences across countries between alliances of capital and labour to solve coordination problem
- Focus not so much only on labour - PRT (large academic debate on this)
- Welfare state part of a web of non-market institutions that encourage firms to invest in skills - institutions solve coordination problems in the labor market
- Correspondence in terms of institutions:
 - Encourage labour market flexibility in the liberal market economies (LME)
 - Encourage specific skill investments (CME)

Pension systems



Pension systems

- Pillars
 - Three-pillar model
 - In AT first pillar is dominant
 - Substitution from public provision towards private coverage
- Tiers



VOC and neoclassical econ

- Stylised modelling of allocative efficiency demonstrating the superiority of laissez-faire markets may fail if other modes of coordination are introduced
- Tends to present market liberalism as institutionally light and stable equilibrium (by leaving market mechanism to itself)
- Parsimonious account of equilibrium also affects LMEs and CMEs – ruling out endogenous conflict