Economic Governance and Employment
Policy, Polity and Politics of Economic Rise and Decline

by

Arne Heise
Chapter 1: Employment Systems in international comparison. Plan of the study and its relation to the varieties-of-capitalism literature

1.1 Newly Declining Countries (NDC) – a new research approach to highly developed economies

1.2 The Employment systems as the subject of academic Research

1.3 The state of ‘Varieties of Capitalism’ research

1.3.1 ‘Varieties of Sclerosis’: Mancur Olson, ‘institutional sclerosis’ and the reform of the ‘German model’ – the dominant viewpoint

1.3.2 ‘Varieties of Capitalism’: comparative research on the welfare state

1.3.2.1 ‘Varieties of Vulnerabilities and Adaptabilities’

1.3.2.2 ‘Varieties of Political Economies’: Collective bargaining systems and Macroeconomic coordination

1.3.3 The Market Constellation research

1.4 The research project

1.4.1 Subject-matter

1.4.2 Methods

1.4.3 Plan of the study

Chapter 2: Market Constellations and employment performance – is there a macroeconomic story?

2.1 Macro versus micro perspectives

2.2 Market participation and the creation of favourable ‘market constellations’

2.3 Macroeconomic governance and employment performances in selected countries

2.3.1 The United Kingdom: From ‘British disease’ to ‘super model’
2.3.2 Austria and the Netherlands: the 'German model' plus macroeconomic governance? .......................... 63
2.3.3 Germany: From 'Wunderland' to the sick man of Europe? ............................................................. 72
2.4 Market constellations and open questions .......................................................... 81

Chapter 3: Institutional Embeddedness of Market Constellations — is superior Economic Performance governable?

3.1 The institutional features of the British governance Success ................................................................. 88
3.2 Incentives and impacts: A master plan? ................................................................. 95
   3.2.1 Conceptualising an 'employment-augmented' Taylor rule for inflation targeting ............... 97
   3.2.2 Conceptualising a Taylor rule for fiscal policy ................................................. 104
   3.2.3 Conceptualising an optimal policy mix ......................................................... 106
3.3 Empirics of economic governance in the UK ......................................................... 108
   3.3.1 Empirics of monetary policy in the UK ....................................................... 108
   3.3.2 Empirics of fiscal policy in the UK ............................................................. 113
   3.3.3 Empirics of the Phillips curve in the UK .................................................... 117
3.4 The British macroeconomic governance system: Better than before, but far from optimal ......... 119

Chapter 4: The Political Economy of Meritocracy — political barriers to full employment?

4.1 The age of inequality ................................................................. 123
4.2 Mancur Olson, distributional coalitions and its Keynesian twist .................................................. 127
4.3 Michal Kalecki, unemployment and income distribution, or: the Meritocratically Optimal Rate of Unemployment (MORU) ................................................................. 130
4.4 MORU in the varieties of capitalism ................................................................. 133
4.5 The empirics of MORU ................................................................. 140
4.6 Conclusion: MORU and the policy of full employment ............................................. 148

Appendix 1: P75/P25 ratios at the end of 1990s
Appendix 2: Earnings documentation
Chapter 5: From vested interests to policy. The Case of Social Democratic Politics in Germany 1997 – 2005

5.1 Third Wayism – Social Democratic governmental Practice in Germany
5.2 The Agenda-Model – or: Economic Policy in a media democracy
5.2.1 The Basic Model
5.2.2 The Concept of the Loss Function
5.2.3 The Framing Concept of Economic Policy
5.2.4 Critical Evaluation
5.3 Social Democracy between Orientation towards the Median Voter and Ideologising – Some Strategic Conclusions
5.4 ... and an Alternative Interpretation
5.5 A Brief Summary

Chapter 6: Policy, Polity and Politics of Economic rise and decline - some concluding remarks

6.1 Varieties of Capitalism and the creation of market constellations
6.2 Macroeconomic governance and distributional Conflicts
6.3 Governance and mediocrity
6.4 Policy, Polity and Politics of Economic Governance

References