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What Growth Strategies Do Citizens Want?

Evidence from a New Survey

Lucio Baccaro, Björn Bremer, and Erik Neimanns

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Abstract

While research on the economic characteristics of growth models across countries is now extensive, research on the politics of growth models is still in its infancy, even though governments routinely pursue different strategies to generate growth. In particular, we lack evidence on (1) whether citizens have coherent preferences towards growth strategies, (2) what growth strategies citizens prefer, and (3) what shapes their preferences. We address these questions through a new survey of public opinion in Germany, Italy, Sweden, and the United Kingdom, which exemplify different models. We find that preferences for growth strategies are consistent with other policy preferences and are meaningfully structured by class and retirement status, and to a lesser extent by sector of employment. At the same time, differences across class and sector are small, and a large majority of respondents across countries favor wage-led growth. This suggests there is a "representation gap," since this particular growth strategy is in crisis everywhere.

Keywords: comparative capitalism, economic growth, growth models, macroeconomic policies, public opinion, unequal representation

Zusammenfassung

Es gibt mittlerweile umfassende Forschung zu den ökonomischen Eigenschaften von Wachstumsmodellen in verschiedenen Ländern. Politische Aspekte von Wachstumsmodellen sind dagegen bislang kaum erforscht, obgleich Regierungen unterschiedliche Wachstumsstrategien verfolgen, um Wirtschaftswachstum zu erzielen. Forschungslücken bestehen insbesondere zu den Fragen, 1) ob Bürgerinnen und Bürger kohärente Präferenzen zu Wachstumsstrategien haben, 2) welche Wachstumsstrategien sie befürworten und 3) welche Faktoren ihre Präferenzen beeinflussen. Wir adressieren diese Frage mithilfe einer neuen Meinungsumfrage für Deutschland, Italien, Schweden und das Vereinigte Königreich, welche unterschiedliche Wachstumsmodelle verkörpern. Unsere Ergebnisse zeigen, dass Präferenzen zu Wachstumsstrategien konsistent mit Präferenzen für andere Politikbereiche sind und dass die soziale Klassenzugehörigkeit und, in geringerem Maße, der Wirtschaftssektor des Beschäftigungsverhältnisses einen prägenden Einfluss auf diese Präferenzen haben. Zugleich sind aber die Unterschiede in den Präferenzen über Klassen und Sektoren hinweg relativ gering und es zeigt sich, dass eine große Mehrheit der Befragten über Länder hinweg lohngetriebenes Wachstum befürwortet. Dieser Befund suggeriert eine Repräsentationslücke, da sich diese Wachstumsstrategie überall in einem Krisenzustand befindet.

Schlagwörter: makroökonomische Politik, öffentliche Meinung, ungleiche Repräsentation, vergleichende Kapitalismusforschung, Wachstumsmodelle, Wirtschaftswachstum

Contents

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1 Introduction

Growth is a key outcome for democratic capitalism as it increases its stability and governability. For politicians, growth is an important goal because it boosts their chances of reelection (Belluci and Lewis-Beck 2011; Lewis-Beck and Stegmaier 2013). A new theoretical framework in comparative political economy thus puts growth at the center of analysis (Baccaro and Pontusson 2016; Baccaro, Blyth, and Pontusson 2022; Hassel and Palier 2021).

Drawing on post-Keynesian macroeconomics (e.g., Bhaduri and Marglin 1990; Lavoie and Stockhammer 2013; Stockhammer 2015), the growth model approach distinguishes different growth models (Baccaro and Pontusson 2016). While wage-led growth was the dominant growth model in the post-war period (Onaran and Galanis 2014), a global shift in the balance of power between labor and capital later undermined this model (Blyth and Matthijs 2017; Glyn 2006; Lavoie and Stockhammer 2013). Faced with a tendency towards economic stagnation (Storm 2017; Summers 2014), governments relied on alternative growth drivers, primarily exports or credit, resulting in the emergence of different growth models across countries (Stockhammer 2015; Baccaro, Blyth, and Pontusson 2022).

What accounts for the extent of political support for different growth models? While the literature on the economic functioning of growth models is growing quickly, research on their politics is in its infancy. This implies that we know little about the political foundations of growth models. In particular, we lack information on (1) whether citizens have coherent preferences for growth models that are consistent with their preferences for other policies, (2) the extent to which these preferences are determined by class positions and economic sector of employment as emphasized by various strands of comparative political economy research (Baccaro and Pontusson 2022; Beramendi et al. 2015), and (3) what growth strategies citizens want their government to pursue.

Ethics approval was granted by the Institutional Review Board of the Max Planck Society (application number: 2022_33). Previous versions of this paper were presented at the virtual conference of the Society for the Advancement of Socio-Economics 2020, the virtual conference of the Council for European Studies 2021, as well as workshops at the University of Cologne, the Max Planck Institute for the Study of Societies, and Manchester Metropolitan University. We are grateful to comments from Dorothee Bohle, Alison Johnston, Julian Garritzmann, Peter Hall, Jonas Pontusson, Aidan Regan, and Till Van Treeck. Kostas Gemenis helped with the design of the survey, and Cassandra Fuchs and Robin Hetzel provided excellent research assistance.

In this paper, we break new ground by studying preferences towards growth strategies for the first time. To answer the above questions, we conducted a new survey in four European countries that capture diversity in growth models (Germany, Italy, Sweden, and the United Kingdom). Given that existing cross-national surveys (e.g., the European Social Survey, the Eurobarometer) do not include questions about growth strategies, we explicitly designed the survey around them. In particular, we presented respondents with stylized descriptions of wage-led growth, profit-led growth, export-led growth, and credit-led growth, and we asked them to determine which strategy the government should pursue.

We find that people's preferences for growth strategies are consistent with their preferences for other policies that are linked to them (such as unions' role in wage determination, full employment, government deficits, and trade imbalances). However, respondents do not clearly distinguish between profit-led, export-led, and credit-led. As a result, the clearest axis of differentiation is between wage-led growth, on the one hand, and alternative growth strategies, on the other. Preferences for growth strategies mostly reflect the traditional capital-labor conflict, with employers, self-employed, and small business owners more likely to favor profit-led growth. The sector of employment also influences preferences, with manufacturing workers being more inclined to select export-led growth.

Despite these differences, a majority of respondents across countries favor wage-led growth overall. The main exception are retirees, who are considerably more likely to oppose wage-led growth and to express a preference for a deflationary growth regime like export-led growth (Vlandas 2018). Still, it is only among people in the highest income decile who are self-employed or report income from investments that support for wage-led growth becomes a minority position. For all other groups, a majority would like the government to pursue wage-led growth, and even though this strategy has been incapacitated by various political and economic developments of the past forty years (Hein 2012; Lavoie and Stockhammer 2013; Palley 2012), they also believe that such a strategy would be effective at generating growth. This dovetails with literature on redistribution, the welfare state, taxation of the rich, or the minimum wage, which also shows large majorities having preferences that do not translate into actual policy (Bremer and Bürgisser 2023; Cova 2022; Dimick, Rueda, and Stegmueller 2018; Schechtl and Tisch 2023).

The paper thus makes several contributions. First, it contributes to a growing literature in comparative political economy exploring preferences for macroeconomic policies (e.g., Barnes and Hicks 2018; Ferrara et al. 2022; Haffert, Redeker, and Rommel 2021). At the same time, it addresses an important gap in this literature by focusing on the overall macroeconomic stance of countries (as opposed to individual policies) and by examining policies for growth. After being at the core of debates in political science in the twentieth century (Hibbs 1977; Hicks 1988; Lange and Garrett 1985), both topics have been under-researched in recent decades.

Second, the analysis contributes to research on the politics of growth models, which has not yet examined support at the level of individual voters. This stands in contrast to a large literature on preferences for redistribution and social policies. Our results show that many of the central variables identified by this latter literature are also important for the study of growth models, as they correlate with preferences for different growth strategies. However, the pattern of results suggests that the overall link between growth strategies and citizen preferences is weak. Citizens clearly support wage-led growth, yet this growth model is in deep crisis everywhere, as attested to by declining labor power, stagnant real wages, and rising inequality. Our findings thus hint at another example of a "representation gap" or "unequal representation" (Bartels 2008; Elsässer, Hense, and Schäfer 2021; Gilens 2012; Gilens and Page 2014; Page, Bartels, and Seawright 2013; Schakel 2021).

Finally, and due to these findings, our paper suggests that electoral politics may be less important for explaining the politics of growth models than it is for other policy areas (Beramendi et al. 2015). There is little evidence that electoral majorities explain cross-country variation in the dominant growth models. This conclusion lends support to approaches that emphasize producer groups and economic elites when studying the politics of growth models (Baccaro, Blyth, and Pontusson 2022).

2 The diversity of growth strategies

In the past twenty years, comparative political economy has tried to explain capitalist diversity by analyzing the supply side of the economy. Varieties of capitalism (VoC), which has been the dominant perspective since the beginning of the twentieth century, focuses on the way industrial relations institutions, welfare states, vocational training systems, and corporate governance arrangements affect the competitive strategies of key firms (Hall and Soskice 2001). This emphasis on capitalist diversity is an important corrective to mainstream economic analysis, but it largely neglects the demand side of the economy.

The growth model literature shifts the focus of attention from the supply side to the demand side. The key outcome to be explained is the set of conditions for durable growth. Drawing on post-Keynesian economics (Lavoie and Stockhammer 2013; Palley 2012; Stockhammer 2022) and the French Regulation School (Aglietta 1979; Boyer and Saillard 2002), it conceives growth as being dependent on aggregate demand, not just in the short run, as argued by New Keynesian macroeconomics (Carlin and Soskice 2015), but also in the long run. Furthermore, post-Keynesian economics maintains that aggregate supply responds to demand conditions (Storm and Naastepad 2012). Differently from VoC, which concentrates on interlocking institutions generating different production regimes (*coordinated* vs. *liberal market* economies), post-Keynesian economics directs its attention to the structural parameters of aggregate demand (e.g., propensity to consume, sensitivity of investment to demand and profitability, price sensitivity of exports and imports), which determine a country's *demand regime*.

Actual growth results from the interaction between a country's demand regime and the *growth strategies* that governments pursue (Hein, Meloni, and Tridico 2021; Kohler and Stockhammer 2022). Thus, in a *wage-led* demand regime, a distributional shift to the benefit of wages expands consumption and simultaneously leads to an increase in capacity utilization, to which firms respond by expanding investment and potential output. The stimulation of investment also has a positive impact on productivity, since new capital incorporates the latest generation of technical progress and labor productivity benefits from economies of scale.

When the government's wage-oriented growth strategy is consistent with the underlying wage-led demand regime, the economy will grow, at least for some time until problems emerge, both endogenously and exogenously. A wage-led growth strategy aims to boost real wage growth in line with and possibly slightly above productivity growth. The policy levers can be multiple – for example, the reinforcement of wage bargaining and labor market institutions, a rise in the minimum wage, and more generous public sector pay determination that reverberates across the economy. Furthermore, labor strength and protective labor institutions create incentives for firms to use labor more efficiently and to increase capital intensity, which positively affect labor productivity (Storm and Naastepad 2012).

However, a wage-led growth strategy has two endogenous sources of instability, which became especially salient in the 1970s and 1980s. First, the wage push may lead to inflation, especially when it is combined with an exogenous rise in oil or energy prices (Armstrong, Glyn, and Harrison 1991). Second, it may produce a "profit squeeze," which may negatively affect investments and bring about a political and regulatory backlash (Kalecki 1943; Glyn 2006; Marglin and Schor 1990).

A very different growth strategy centers on the stimulation of unit profits (Bhaduri and Marglin 1990), which is brought about by policies that reduce labor power, for example through de-unionization and labor market liberalization, and increase the profit share of income at the expense of the wage share. A *profit-led* growth strategy has a positive impact on growth if the underlying demand regime is profit-led, too. This implies that investments are highly sensitive to unit profits and consumption propensities vary little across income groups, such that an increase in the profit share does not depress consumption very much. Developments in the past forty years have brought about more favorable conditions for profit-led growth (Blyth and Matthijs 2017). For example, the shareholder value revolution has augmented the profit sensitivity of investment (Hein 2012), and international capital mobility has increased the benchmark global rate of return on investment. In a finance-led variant, household consumption also becomes highly sensitive to the wealth effect of increasing asset prices, which depend positively on profits (Boyer 2000). In these circumstances, a profit-led strategy sets in motion a process of trickle-down growth, stimulating investment and employment, and possibly consumption, too.

However, profit-led growth may run into the Marxian problem of overaccumulation and underconsumption (Marx [1885] 1996; Bleaney 1976) and give rise to highly unequal patterns of growth. Profit-led growth is therefore unlikely to be sustainable except in small countries in which domestic demand is negligible (Bowles and Boyer 1995). A third growth strategy relies on facilitating access to debt in order to generate *credit-led* growth through the stimulation of consumption and investment (especially in housing) (Crouch 2009; Mian and Sufi 2011; Rajan 2010). Like the wage-led strategy, this growth strategy also emphasizes domestic demand as a driver of growth. However, wages are no longer the key growth driver, but (at best) an outcome of favorable labor market conditions when domestic demand is thriving (Baccaro and Pontusson 2016). Asset bubbles and growing household indebtedness characterize this type of growth, contributing to its inherent instability. Furthermore, for the growth model to be sustainable beyond the short run, "monetary power" is necessary to relax the current account constraint and ensure a steady influx of foreign capital to finance current account deficits (Schwartz 2009).

Finally, growth may be brought about by policies that stimulate *export-led* growth. In countries with a large export sector and non-trivially price-sensitive exports, policies and institutions that repress wages and domestic consumption have an expansionary effect on total demand (Baccaro and Pontusson 2016; Höpner 2018). However, this growth model can only exist as an exception. If all countries try to boost exports by restraining domestic consumption, a fallacy of composition leads to generalized stagnation.

3 The politics of growth models and the role of individual preferences

The literature on growth models highlights the importance of governments' growth strategies. However, so far it has not dealt extensively with the politics of growth models. Which actors have the greatest influence in shaping growth strategies? To whose interests do governments respond when choosing to pursue one strategy over another? Different approaches in comparative political economy offer three possible answers, suggesting that governments could respond to the interests of key producer groups, of electoral majorities, or of the rich.

The producer group perspective

First, the producer group tradition in political economy (Frieden and Rogowski 1996; Gourevitch 1986; Swenson 1991; Thelen 2014) argues that interest group elites play a key role in shaping economic policies. Especially when the salience of economic policies is low, their governance is firmly rooted in the realm of "quiet politics" (Culpepper 2011) and shielded from electoral competition. Based on this approach, Baccaro and Pontusson (2022) contend that growth models rely on "growth coalitions" centered on important sectors and composed of corporate owners and executive managers and workers with sector-specific skills (see also Iversen and Soskice 2019). The coalitions' constituent groups are portrayed as having compatible preferences regarding macroeconomic and structural policies. While Baccaro and Pontusson (2022) focus on key sectors, such as export-oriented manufacturing in Germany and finance in the UK, Bohle and Regan (2021) place the interaction between key firms and state bureaucrats at the center of their analysis.

This coalitional perspective tends to discount the importance of electoral politics. It argues that election results are unlikely to affect the growth model significantly for several reasons. First, electoral majorities do not have direct access to key policy areas. Monetary policy, for instance, is within the purview of independent central banks in most advanced economies. In the eurozone, fiscal policy is also heavily constrained by European fiscal rules or national, constitutional provisions such as "debt brakes." Second, economic policy is a highly technical domain that lends itself more to the "quiet politics" of technical agencies and committees than to the "noisy politics" of electoral competition (Busemeyer, Garritzmann, and Neimanns 2020; Culpepper 2011). Third, established parties are likely to converge on policies that are crucial for the growth model, thereby limiting electoral competition to non-threatening issues (Hopkin and Voss 2022; Hübscher and Sattler 2022).[1]

According to this perspective, sectors have different "requirements" that shape preferences towards macroeconomic and structural policies for both labor and capital groups, thus bringing about cross-class convergence within sectors. For example, manufacturing is exchange rate sensitive and benefits from a competitive real exchange rate (Frieden 2014), while construction and other domestic demand-oriented sectors are interest rate sensitive and benefit from low real interest rates (Baccaro and Pontusson 2022). This implies opposite preferences towards inflation and its main determinant, the growth of unit labor costs. While low inflation and wage moderation should be favorable to exchange rate-sensitive actors because they produce real exchange rate depre-

1 This perspective, however, accepts that in times of crisis – whether due to external shocks or the accumulation of endogenous dysfunctionalities – "quiet" politics can become "noisy." Under these conditions, anti-system parties and political entrepreneurs within established parties can politicize newly prominent issues (Hopkin 2020). When this happens, it becomes more difficult for the growth coalition to insulate itself from electoral competition, which becomes more significant and may lead to a change in growth strategy.

ciation, interest rate-sensitive actors prefer a more expansionary monetary policy that lowers real interest rates. This line of reasoning has testable implications for the growth model preferences especially of workers with sector-specific skills, whose income is more tightly linked to sectoral conditions than for highly educated workers (Iversen and Soskice 2001). For example, workers with intermediate skills (often associated with industry-specific vocational training programs) who are employed in manufacturing should have a greater preference for export-led growth strategies and conversely a lower preference for wage-led growth strategies than workers with similar skills who are employed in sectors that mostly rely on domestic demand (see also Frieden and Rogowski 1996; Garrett and Way 1999).

Similar implications can be drawn for intermediate-skilled workers in sectors for which growing profits and easy access to credit are important prerequisites for success, such as finance, construction, and real estate. The finance sector generally benefits from permissive regulation allowing for credit expansion. A large chunk of credit usually flows into the housing sector, which may imply a symbiotic relationship between finance, construction, and real estate. Given that growth in highly financialized and leveraged countries may originate both from credit-led consumption and from higher profit shares (Ban and Helgadóttir 2022), workers with sector-specific skills employed in these sectors should be expected to prefer profit- or credit-led growth; and they should be less supportive of wage-led growth than workers employed in, for example, the public sector at large, for which credit availability and profit shares are less important growth drivers.

The electoral perspective

A second perspective in political economy makes a strong case for putting voter preferences at the center of the analysis. According to the influential volume by Beramendi et al. (2015), voter choice in competitive elections is the primary mechanism for policy selection. Based on the assumption that voters have well-defined policy preferences, this perspective thus argues that public policy is the result of the interaction between political demand (voter preferences) and political supply (party programs), which is also shaped by preferences because parties have clear and powerful incentives to minimize the distance from their electorate. In contrast to a Downsian (1957) median voter perspective, in this framework, parties have programmatic commitments that prevent them from fully adjusting their political supply to shifts in the position of the median voter (Hooghe and Marks 2018).

Although the volume by Beramendi et al. (2015) only focuses on social and labor market policies, interpreted as being located in a two-dimensional policy space of investment- and consumption-oriented policies (also see Häusermann et al. 2022), their reasoning can also be applied to macroeconomic policies and growth strategies (Hall 2020). Ultimately, the type of growth strategy implemented by governments in different countries should depend on the size of groups supporting them. In line with this electoral perspective, a growing literature is studying preferences for a variety of macroeconomic policies (e.g., Barnes and Hicks 2018; Bremer and Bürgisser 2023; Haffert, Redeker, and Rommel 2021; Scheve 2004).

Social class is commonly regarded as a central characteristic determining voter preferences in this framework. Following this perspective, also inherent in parts of the post-Keynesian literature, workers should be more likely to support wage-led growth than capital owners, who in turn should be more likely to prefer profit-led growth.[2] Salaried workers in "contradictory class locations" (managers, technicians, etc.) (Wright 1997) should be more closely aligned to the preferences of capital owners than of wage earners. While their main source of income is labor income, they exercise authority on behalf of capital owners and benefit from an increase in profits.

The electoral perspective of Beramendi et al. (2015) distinguishes between an old working class, more male-oriented and centered on manufacturing, and a new working class, more female-oriented and based in services, positing that old and new do not necessarily have the same preferences. It also highlights a distinct group of "socio-cultural professionals" (Oesch 2006). These are "individuals with high education in social and cultural services, typically working in nonprofit or public organizations with flat hierarchies and with extensive work autonomy and client interaction, [who] are characterized by decisively universalistic positions but are somewhat conflicted on questions of economic distribution" (Beramendi et al. 2015, 21). The socio-cultural professionals are regarded as the main constituency of the new left (Gingrich and Häusermann 2015; Kitschelt 1994), with progressive preferences on the cultural/axiological axis (particularism vs. universalism of individual rights), and mixed preferences on the economic axis (in favor of state intervention and redistribution but preferring social investment over the subsidization of consumption). Which growth strategies this group favors is an empirical question.

The unequal democracy perspective

A third perspective maintains that policies do not reflect the preferences of the majority of the voting population, but the preferences of the rich (Bartels 2008; Hacker and Pierson 2010; Gilens 2012; Gilens and Page 2014; Page, Bartels, and Seawright 2013). Research originally stemming from the US shows that the most affluent individuals in

2 The post-Keynesian literature subscribes implicitly to a class-based view of politics. It argues that a shift in the balance of power between labor and capital explains the adoption of policies that have undermined wage-led growth, without necessarily providing a viable alternative to it (Glyn 2006; Lavoie and Stockhammer 2013). However, these arguments are not fully developed and have hardly been tested empirically.

society, usually operationalized as the top 1 or top 10 percent, but sometimes even as the top 0.1 percent (Page, Bartels, and Seawright 2013), have very distinct preferences from the rest of the population. Not only is there a difference in preferences, but there is also a difference in political influence. Parliamentary votes are found to be most in line with the preferences of individuals with high incomes (Bartels 2008), and the preferences of low and average incomes are hardly reflected in actual policy choice (Gilens 2012; Gilens and Page 2014).

Recent contributions show that this pattern of unequal representation applies also to Western democracies more generally and is reflected in unequal representation not only by income but also by education and occupational class (Elsässer, Hense, and Schäfer 2021; Persson 2021; Peters and Ensink 2015; Schakel 2021; Schakel, Burgoon, and Hakhverdian 2020). This leads to “representation gaps,” which explains why the preferences of the majority of voters are not in line with the policies that governments implement.

Given that very wealthy individuals draw their income primarily from profits and the control of assets, we should observe a dislike for wage-led growth strategies among these individuals. Rather, they are likely to prefer alternative growth strategies, centering on profits and possibly also on exports (due to the deflationary bent of export-led growth).

4 Data and methods

The survey

To disentangle the relative merit of the various explanations about the politics of growth strategies, we need information about individual preferences. However, existing cross-national surveys do not include questions on them. For this reason, we designed a new cross-country survey, which we conducted in early 2020. Specifically, we sampled citizens aged eighteen and above in Germany (n=4,107), Italy (n=4,087), Sweden (n=4,082), and the UK (n=5,063), using large online access panels provided by YouGov in each country.

Following Baccaro and Pontusson (2016), the country selection represents different growth models: export-led growth (Germany), credit-financed consumption-led growth (UK), balanced growth (Sweden), and stagnation (Italy). Table 1, which presents import-adjusted demand contributions to growth, confirms that, between 1995 and 2018, exports account for the lion’s share of growth in Germany, while consumption is the most dynamic demand component in the UK. In Sweden, both exports and domestic demand are important contributors to growth (with the latter as the main driver). After the sovereign debt crisis, the only positive contributions to Italy’s growth came from exports. However, the Italian economy is in a state of stagnation, as evidenced by its near-zero growth rate.

Table 1 Average annual growth rates and demand contributions to growth (1996–2018), in percent

	Average growth	Consumption share	Investment share	Government share	Export share
Sweden	2.6	20.1	20.9	24.0	35.0
UK	2.0	41.2	16.0	18.9	23.9
Germany	1.5	12.5	3.3	15.7	68.5
Italy	0.6	27.1	–0.5	23.4	50.0

Note: The table records import-adjusted demand contributions to growth based on Baccaro and Hadziabdic (2022).

In each country, we employed a quota sampling approach based on age and gender (interlocked) as well as employment status to ensure that the sample in each country was nationally representative. To further correct for sampling bias, we calculated post-stratification weights for age, gender, and education using population targets obtained by Eurostat. We also calculated post-stratification weights that factor in voting intention in addition to sociodemographic characteristics, because individuals with particular political views may be less likely to be included in the panels or to respond to the survey. The results do not depend on the use or the type of weights. For more information about our survey and the sample, see the online appendix.

Questions and measurement

The centerpiece of the survey is a set of stylized representations of four different growth strategies – wage-led, profit-led, export-led, and credit-led growth – in the form of short vignettes presented in a random order. Each vignette attempts to capture the essence of the respective growth strategy while keeping it as short and simple as possible to facilitate comprehension. In each vignette, the government stimulates one growth driver in turn (wages, profits, exports, and credit, respectively) and the key mechanisms are indicated (e.g., profit-led growth stimulates investment, credit-led growth stimulates household expenditures). All growth strategies are framed positively as having the capacity to improve employment and standards of living. After respondents had gone through all the vignettes, we asked them which strategy the government should pursue, ranking the strategies from the most desirable to the least desirable. We use responses regarding the most desirable growth strategy as our main dependent variable. The appendix includes the text of the vignettes as well as additional information on the extensive pre-tests that we conducted to ensure that respondents were able to understand the vignettes.

Our main independent variables are social class and sector of employment, which are highlighted by the emerging theory of growth model politics (Baccaro, Blyth, and Pontusson 2022). There are different ways to operationalize class, and all of them emphasize labor market position, occupation, skills, and labor market power (e.g., Erikson and Goldthorpe 1992; Wright 1997). We use the Oesch eight-class scheme (2006; see Table

A.1), which is a refinement of Erikson and Goldthorpe's class scheme. It distinguishes between different kinds of "work logic" and emphasizes the socializing environment of work, suggesting that the type of interaction prevailing on the job shapes the way people conceive their interests and formulate their preferences. Importantly, the Oesch scheme postulates a testable difference between old "Fordist" occupations in industry, where technical skills and hierarchical control are more prevalent, and "service" occupations, where the nature of tasks puts workers in close contact with several different people, favoring the development of attitudes of tolerance and care (Kitschelt and Rehm 2014). Furthermore, the Oesch scheme has a separate category for socio-cultural professionals, who are characterized by a relatively high level of education and employment in public or nonprofit sector occupations. Individuals in retirement are coded as a separate category. This choice reflects the theoretical importance of retirement status for macroeconomic policy preferences as discussed above.[3]

Our second key independent variable is the respondents' sector of employment. This is coded based on the NACE "Statistical classification of economic activities in the European Community." To avoid group sizes becoming too small, and building upon the classification in Baccaro and Hadziabdic (2022), we combine sectors based on workers' skill content and distinguish between (1) manufacturing (NACE C), (2) construction and real estate (NACE F, L), (3) finance and insurance (NACE K), (4) low-end services (NACE G, H, I, N, S), (5) high-end services (NACE J, M, R, T), (6) education and health (NACE P, Q), and (7) public administration (NACE O). Because the class and sectoral schemes are partially overlapping, we replace the class variable with educational attainment in models including sector. Furthermore, since we are interested in the role of sectors for employed workers, we drop self-employed individuals (or working for a family business) from the sample in these models.

We include a parsimonious set of control variables, excluding those that could be endogenous to our variables of interest. We control for gender, economic knowledge (to control for the respondents' ability to understand and process the vignettes), and labor market status (through dummies for "unemployed," "in education," "housework," and "other and not in paid work") to account for possible confounders of the effects of class and sector. Due to similar patterns of growth strategy selection across countries and in order to have sufficiently large cells for class and sector analysis, we pool responses from the four countries, including country-fixed effects to control for unobserved idiosyncratic factors. Tables A.1 and A.2 in the online appendix provide further details of all variables as well as the summary statistics for our sample.

3 As a robustness check, we assign retirees to class groups based on their past occupational experience, while controlling for retirement status (Figure A.4). This alternative approach leaves the effects of class unaltered, but it obscures the distinctiveness of retirees' preferences.

5 Results

We present our results in four steps. First, we introduce some descriptive statistics on preferences towards growth strategies. Second, we run exploratory regressions to assess the extent to which preferences for growth strategies are correlated with other policy preferences. This allows us to check whether there is consistency across policy bundles. Third, we analyze the impact of class and sector on preferences for growth strategies. Fourth, we zoom in on the wealthiest respondents in our sample.

Descriptive analysis

Figure 1 shows the share of respondents that chose a given growth strategy as their first priority.[4] With more than 50 percent of responses in Italy, the UK, and (more surprisingly) Germany, wage-led growth is clearly the most-preferred strategy. Export-led and profit-led are much less popular, while support for credit-led growth is negligible. This pattern is consistent across countries. Sweden constitutes a partial exception with a higher level of support for export-led growth (33 percent of respondents), but also in Sweden a relative majority of respondents (36 percent) choose wage-led growth as their first priority. Compared to the other three countries, it is possible that Swedish respondents internalize the need for a small open economy to rely on export-led growth (Katzenstein 1985).

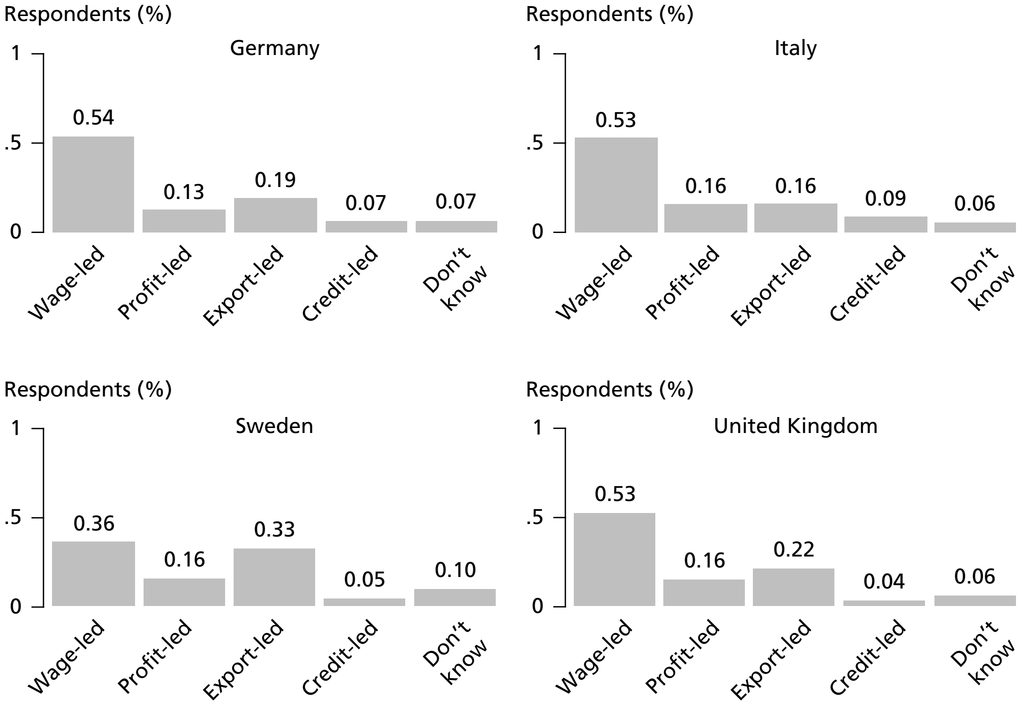
We also asked respondents to assess on a 0 (not at all) to 10 (very) scale how effective, in their view, each growth strategy would be in stimulating growth. Figure A.1 in the appendix shows that, on average, respondents evaluate wage-led growth to be the most effective strategy to achieve economic growth. Averaged across countries, perceived effectiveness is 7.0, whereas it ranges from 5.1 to 5.8 for the other three growth strategies. Consequently, there is not only strong support for wage-led growth, but individuals also believe that it would be the most effective way to stimulate growth.

Consistency of preferences across policy issues

To what extent can we expect the pattern identified in Figure 1 to reflect meaningfully informed preferences? Growth strategies are *policy bundles* as they involve a whole range of policies, such as wage bargaining, fiscal policies, trade policies, and sectoral policies. A meaningful preference for any growth strategy should thus be consistent with pref-

4 As a robustness check, we also examined opposition to growth models. Figure A.6 in the appendix shows the least-preferred growth models among respondents. The results are consistent with Figure 1: hardly any respondents dislike wage-led growth.

Figure 1 Average support for growth strategies by country



Note: The figure shows the share of respondents who ranked the respective growth model first. Survey weights applied.

erences across these policy domains. To assess this, we run exploratory multinomial logistic regressions in which the dependent variable is a respondent's preferred growth strategy (including the "don't know" option). The independent variables include the following questions, measuring policy preferences: (1) a strong role of unions in wage bargaining, (2) support for price stability vs. full employment, (3) support for public deficits as needed to achieve full employment, (4) support for finance both in absolute terms and as compared to manufacturing, (5) support for trade deficits or surpluses, (6) support for easier or more difficult access to loans (see Table A.1 for the exact question wording and response scales). If preferences for growth strategies reflect meaningfully informed choices, they should correlate with compatible economic policies.

The reason we use multinomial logistic regression to estimate our models is that preferences for growth strategies are linked to each other. The models thus involve different pairwise comparisons among the discrete categories of the dependent variable. Since the coefficients are subject to change depending on which category is chosen as the reference category, and the interpretation of coefficients and odds ratios from multinomial logistic regressions is not as straightforward as in linear models, we report results based on predicted probabilities and average marginal effects.

Table 2 Associations between support for growth strategies and preferences for economic policies (average marginal effects based on multinomial logistic regressions)

	(1) Wage-led	(2) Profit-led	(3) Export-led	(4) Credit-led	(5) Don't know
Support strong unions	0.0307*** (17.28)	–0.0157*** (–12.13)	–0.0117*** (–8.12)	–0.000141 (–0.16)	–0.00327*** (–3.61)
Support price stability	–0.00792*** (–3.70)	0.00254 (1.55)	0.000766 (0.43)	0.000933 (0.83)	0.00368*** (4.66)
Support public deficits	0.0173*** (9.92)	–0.00847*** (–6.16)	–0.00569*** (–3.83)	–0.00404*** (–4.17)	0.000884 (1.37)
Support finance	–0.0300*** (–14.20)	0.0182*** (10.38)	0.0127*** (6.83)	0.00283* (2.47)	–0.00376*** (–4.61)
Support finance (relative)	–0.0228*** (–12.43)	0.0104*** (7.33)	0.00217 (1.32)	0.00787*** (8.20)	0.00235*** (3.38)
Support trade deficit (Ref.: Support trade balance)	–0.0679** (–3.01)	0.0242 (1.38)	–0.000411 (–0.02)	0.0249* (2.28)	0.0192* (2.07)
Support trade surplus	–0.106*** (–11.13)	0.00547 (0.74)	0.0965*** (1+2.00)	0.00601 (1.26)	–0.00172 (–0.45)
Loans more difficult (Ref.: Keep unchanged)	–0.0323* (–2.46)	0.00798 (0.74)	0.0397*** (3.48)	–0.0126* (–2.15)	–0.00276 (–0.46)
Loans easier	0.0421*** (3.84)	–0.0275*** (–3.33)	–0.0493*** (–5.36)	0.0293*** (4.90)	0.00542 (1.08)

Note: For each economic preference item, one separate model is estimated. All models control for gender, age, education, work status, economic knowledge, and country. The first five macroeconomic preference items are measured on a 0–10 scale and are included as continuous variables, the latter two are based on three response categories and are included as categorical variables.
t statistics in parentheses
* $p<0.05$; ** $p<0.01$; *** $p<0.001$

The results suggest that preferences for growth strategies are meaningfully bundled with preferences for other economic policies (Table 2). For example, a preference for wage-led growth is associated positively with support for a strong role of unions in wage determination and with support for budget deficits (to ensure full employment), and negatively with a preference for inflation minimization vs. full employment, and with support for finance. A preference for wage-led growth correlates negatively also with support for trade surpluses and positively with support for easier access to loans.[5] The other three wage strategies are less distinctive. For example, they are all negatively correlated with support for strong unions and for public deficits, and positively correlated with support for finance. This may imply that respondents do not clearly distinguish between profit-led, export-led, and credit-led and that the clearest axis of differentiation is between support for wage-led growth, on the one hand, and support for other growth strategies, on the other.

5 The counterintuitive effect for trade deficits (chosen by only five percent of respondents; Table A.2) becomes insignificant in additional models that screen out inattentive respondents. The same applies to the association between wage-led growth and making getting loans more difficult (Table A.10). All other associations remain unchanged.

The role of class and sector

In the next step, we examine to what extent preferences for growth strategies are shaped by class and sector. Our dependent variable is the respondents' choice of growth strategy. We report average marginal effects in Figure 2 and predicted probabilities in Figure A.2 in the appendix.[6]

The results for class (left side of Figure 2) show that employers, self-employed, and small business owners are significantly less likely to express a preference for wage-led growth (by about 10 percentage points) and significantly more likely to opt for profit-led growth (by about 5 percentage points) as compared to the reference category of socio-cultural professionals. As expected, (associate) managers and, to a lesser extent, technical professionals have similar preferences to capital owners. Instead, service workers, socio-cultural professionals (the reference category), and clerks are more likely to support wage-led and less likely to support profit-led growth. We do not observe clear class effects for the other two growth strategies.[7]

Being retired has a strong effect on preferences for growth strategies. It increases support for export-led growth by 16 percentage points and decreases support for wage-led by 18 percentage points. Although pensions are linked to wage and price dynamics through indexation mechanisms in all four countries considered (OECD 2021, 127), retired people seem to be attracted to a wage strategy with a clear deflationary bias (Vlandas 2018).[8]

With regard to sector (right side of Figure 2), relative to the reference category of workers in education and health, workers employed in finance, high-end services, and manufacturing are less likely to support wage-led growth and manufacturing workers are significantly more likely to support export-led and profit-led growth. Overall, however, the effects of sector are smaller and less precisely estimated than for class.

We also test for an interaction effect between sector and education to examine whether the sectoral differences are greater for workers with more specific skills as anticipated by Baccaro and Pontusson (2022) following Iversen and Soskice (2001). Figure 3 reports predicted levels of support for growth strategies for workers with intermediate skills (>= ISCED3 & <= ISCED5) as a proxy for sector-specific skills.[9] The upper panel of Figure 3 compares predicted probabilities for wage-led and export-led growth between manu-

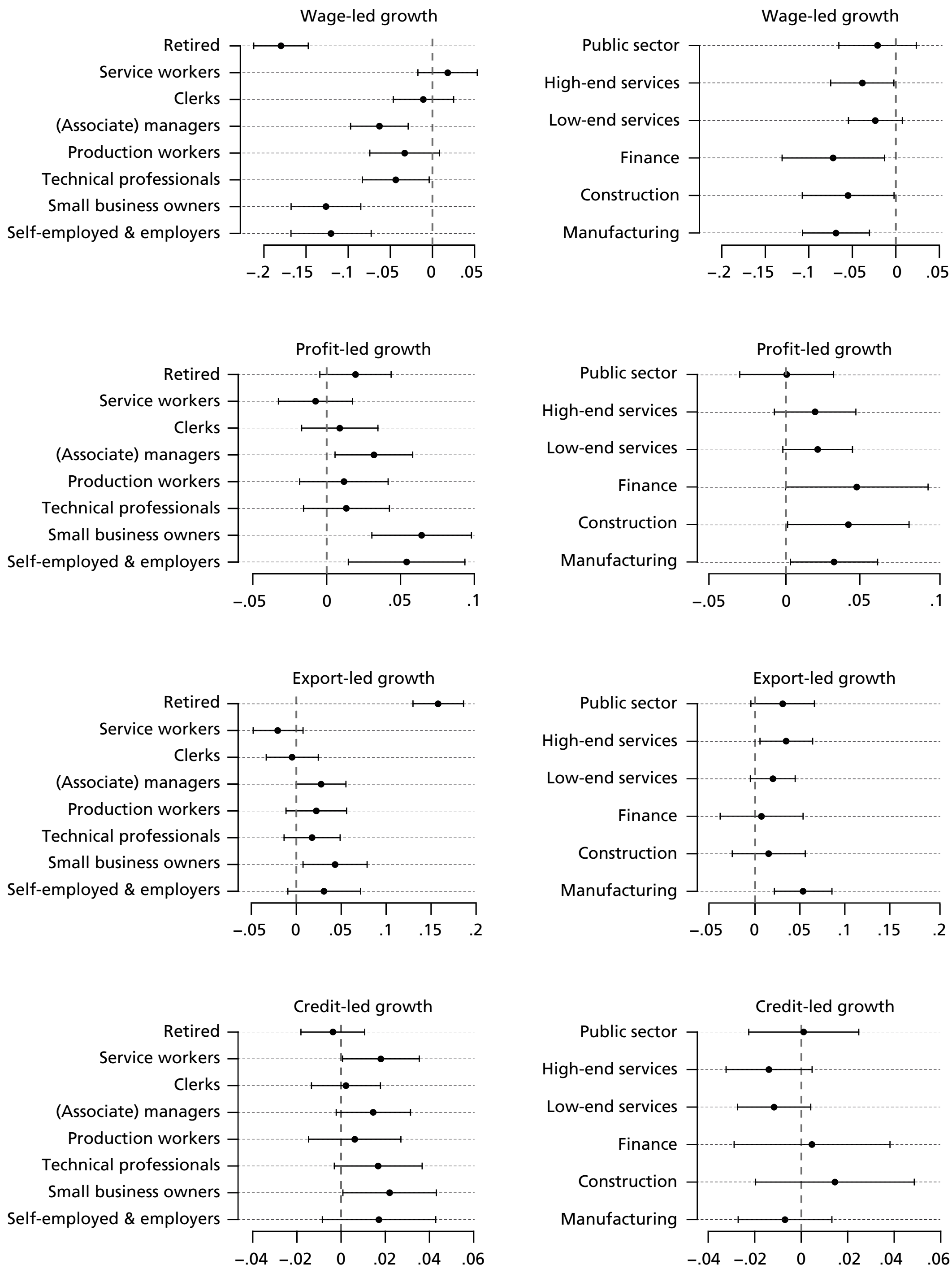
6 The results do not change if we estimate linear probability models instead (Table A.9).

7 Since few respondents (N = 912; 5.5 percent) chose credit-led growth, confidence intervals are particularly large and class effects are absent.

8 Economic knowledge significantly affects preferences for growth strategies, with greater knowledge being associated with higher support for wage-led growth. This suggests that support for wage-led growth is not driven by a lack of knowledge.

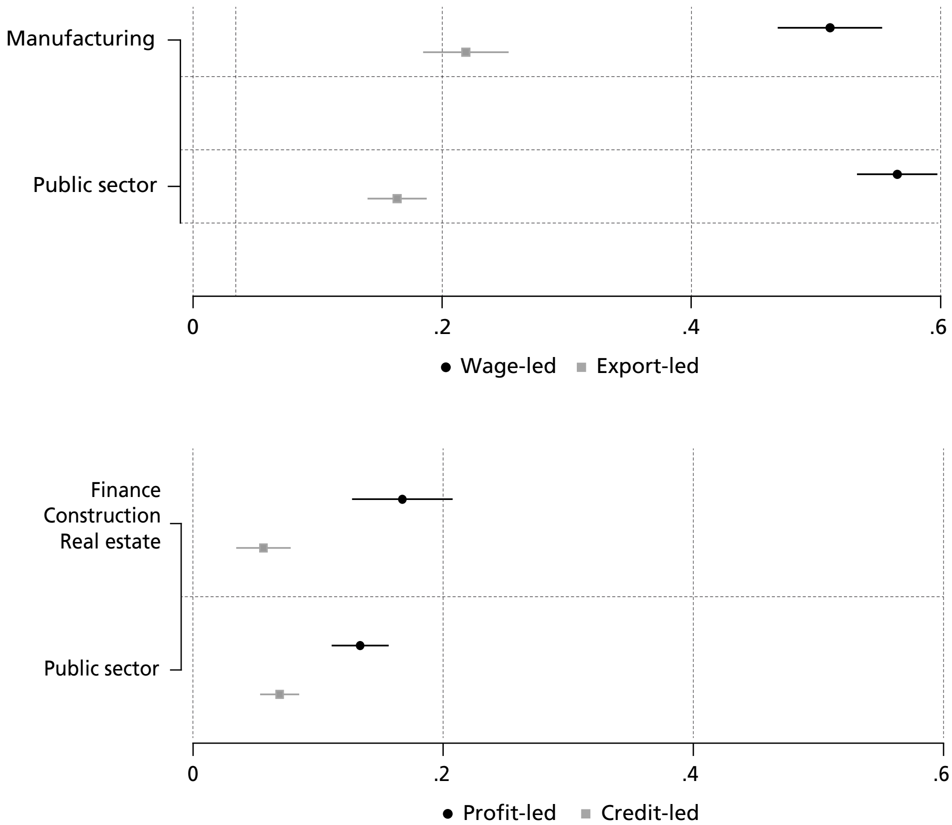
9 These ISCED categories include employees with vocational training certificates, for whom sector-specific skills are more likely to be important compared to employees with tertiary education (which provides general skills).

Figure 2 Average marginal effects for support for growth strategies by social class (left; reference category: socio-cultural professionals) and sector (right; reference category: education and health)



Note: The figure shows the average marginal effects for different social classes and sectors with respect to the reference categories to rank the respective growth strategy first. Estimates are based on multinomial logistic regression results shown in Tables A.3 and A.4. 95 percent confidence intervals are shown. Models for sector exclude self-employed respondents.

Figure 3 Predicted support for growth strategies by sector for workers with intermediate skills; the role of the exchange rate- and interest rate-sensitive sectors



Note: The models build on the models including sector in Figure 2. The sectoral categories are simplified to highlight the differences between an exchange rate-sensitive sector (manufacturing) and interest rate-sensitive sectors (finance, construction, and real estate) vis-à-vis the public sector (education, health, and public administration); self-employed are excluded; other sectors and retirees are included as residual categories of the sectoral classification, but not shown. See Table A.5 for the full models.

facturing and the public sector (public administration, education, and health). The lower panel compares preferences for profit-led and credit-led growth between the finance-construction-real estate complex, on the one hand, and the public sector, on the other.

Wald tests of the estimates reported in Figure 3 reveal that workers with intermediate skills employed in manufacturing are significantly less likely to choose wage-led growth and more likely to choose export-led growth than public sector workers with similar skills. These effects are likely due to different degrees of exposure to trade (Frieden and Rogowski 1996; Garrett and Way 1999).[10] In fact, there are no significant differences between manufacturing workers who are not exposed to trade and public sector work-

10 Among manufacturing workers, 67 percent report that they are at least to some extent exposed to trade. The large majority (94 percent) of public sector workers report that they are not exposed to trade (see Table A.1 for the question wording).

ers (see Figure A.3 in the appendix). Although intermediate-skill workers in finance, construction, and real estate tend to show greater support for profit-led growth than their counterparts in the public sector, the differences are (somewhat surprisingly) statistically insignificant (lower panel of Figure 3).

The preferences of the rich

One striking result of our analysis is that for all segments, including employers and self-employed, small business owners, and retirees, wage-led emerges as the preferred growth strategy (see Figure A.2 in the appendix). This level of support should in principle be reflected in governments' growth strategies. Yet, as the literature on unequal democracy posits, the preferences of the majority hardly matter for the selection of policies. Much more important are the preferences of the rich, which are likely to be different from those of the rest of the electorate (Bartels 2008; Gilens and Page 2014; Page, Bartels, and Seawright 2013).

With a general public opinion survey like ours, we are unable to solve the notorious problem of getting a truly accurate picture of the wealthiest citizens. Nonetheless, we are able to zoom in on the preferences of, roughly put, the top 1 percent of our sample by combining information on respondents' income, source of income, and class. Table 3 reports predicted probabilities of support for different growth strategies for individuals (a) in the top income decile, (b) in the top income decile who simultaneously occupy one of the upper social class positions, and (c) in the top income decile who simultaneously report that their main income comes from either self-employment or investment, savings, insurance, or property. Moving from (a) to (c) reduces the group of individuals from 9.0 to 3.1 (0.7 + 2.4) to 1.0 (0.7 + 0.3) percent of the total sample, respectively (see last column, Table 3).

The results in Table 3 show that as we move towards a narrower definition of the upper class, majority support for wage-led growth disappears. A (close to) absolute majority of individuals in the lowest nine income deciles support wage-led growth. For the highest decile, the predicted level of support is reduced to 0.42, which is still a relative majority. Support for wage-led growth drops markedly, however, if we combine information on income with the source of income. Among the self-employed and employers in the top decile of income, we find a relative majority in favor of export-led growth (0.39 in Model 2). Similarly, people in the top decile of the income distribution who report that they primarily rely on income from self-employment or from investment are most likely to favor export-led growth (0.36 and 0.41, respectively, in Model 3). Surprisingly, profit-led growth is never a majority strategy, no matter how thin we cut our sample. This suggests economic elites may sense that the pursuit of a profit-led growth strategy can actually cause problems of profit realization (Marx [1885] 1996).

Table 3 Predicted support for growth strategies among top income earners

	M1 Wage-led	M2 Profit-led	M3 Export-led	M4 Credit-led	M5 Don't know	N of class category (as % of total)
M1						
Bottom-income decile (D1)	0.527*** (35.81)	0.130*** (12.65)	0.195*** (16.05)	0.0672*** (9.27)	0.0806*** (11.52)	
D9	0.492*** (31.15)	0.161*** (13.10)	0.233*** (17.78)	0.0695*** (8.08)	0.0432*** (5.24)	
Top income decile (D10)	0.405*** (26.70)	0.212*** (13.59)	0.259*** (19.11)	0.0599*** (7.14)	0.0651*** (6.32)	N = 1396 (9.0%)
M2						
Top income decile * Self-employed & employers	0.275*** (5.91)	0.201*** (3.85)	0.389*** (6.95)	0.124** (2.84)	0.0112 (0.99)	N = 99 (0.7%)
Top income decile * Higher-grade managers	0.391*** (13.43)	0.250*** (7.47)	0.273*** (9.16)	0.0709*** (3.76)	0.0155* (2.17)	N = 354 (2.4%)
M3						
Top income decile * Income from self-employment (excl. farming)	0.265*** (5.85)	0.263*** (5.09)	0.360*** (6.98)	0.0827** (2.74)	0.0286 (1.40)	N = 103 (0.7%)
Top income decile * Income from investment	0.265*** (3.65)	0.207** (2.97)	0.413*** (4.71)	0.115 (1.75)	7.70e–08*** (4.67)	N = 40 (0.3%)

Note: The models include the same variables as the model reported in Figure 2 for social class, with the following modifications: M1 and M3 replace the Oesch class variable with a categorical measure of income deciles, education, age, and age squared. M2 interacts class with a dummy variable for the top income decile; higher-grade managers only include higher-grade managers and administrators from the Oesch 16-class scheme. M3 interacts top income decile with main source of income; being unemployed is dropped to avoid multicollinearity. See Tables A.6–A.8 for the full results. Survey weights applied.
t statistics in parentheses
* $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$

6 Conclusion

Governments care deeply about growth, not least because it increases the likelihood of their holding on to power, and they pursue different growth strategies. Yet, current research has not studied citizens' preferences towards growth strategies and it is not clear which interests governments respond to when adopting a particular growth strategy. We have sought to address this gap with this paper.

Preferences for growth strategies are meaningfully structured and consistent across policy domains: a person who chooses wage-led growth is also more likely to support a strong union role in wage determination, favor full employment over low inflation, and support fiscal deficits. Moreover, they are less likely to support trade surpluses and to prioritize finance over manufacturing. Conversely, a respondent who selects export-led or profit-led growth as their preferred government strategy is more likely to reject heavy union involvement and fiscal deficits and to endorse the expansion of finance. This shows that the most important dividing line is between wage-driven growth and other growth strategies. The credit-led growth strategy, which attempts to encourage economic growth by easing access to credit, is chosen by a very small proportion of respondents.

Class helps to structure preferences for growth strategies along the classic labor-capital dimension. The upper classes – employers, self-employed, and managers – are significantly less likely to select wage-led as their preferred choice and significantly more likely to opt for profit-led growth. Support for wage-led growth is stronger among the new service-sector-based working class than the old one. Despite their mixed feelings about consumptive social expenditures (Beramendi et al. 2015), socio-cultural professionals along with service workers are the strongest supporters of wage-led growth, and they are also the least inclined to favor profit-led growth. Confirming the insights of Vlandas (2018), individuals in retirement have highly specific growth preferences and a strong affinity for export-led growth, which is probably due to their dislike for inflation.

Compared to class, the effect of the sector of employment is less distinctive but non-negligible nonetheless. For example, manufacturing workers are less likely to endorse wage-led growth and more likely to favor export-led growth. This applies, in particular, to intermediate-skill workers in manufacturing when compared with public sector workers with similar skills, and the difference is due to manufacturing workers' greater exposure to international competition. This finding corroborates arguments about the interaction of class, sector, and skills in shaping preferences for growth strategies and macroeconomic policies (Baccaro and Pontusson 2022; Iversen and Soskice 2001).

Yet one of our most striking results is that across countries, classes, sectors, and income deciles, citizens always select wage-led as their preferred growth strategy. Relatedly, profit-led growth does not receive the highest level of support in any social group, not even among employers and self-employed. These preferences are clearly at odds with policy developments over the past several decades. The bargaining power of workers has declined, real wages have stagnated, and the link between real wages and labor productivity has weakened considerably in advanced countries (Mishel 2015; Paternesi Meloni and Stirati 2022; Stansbury and Summers 2020). If citizens overwhelmingly want wage-led growth, why do we not see more attempts by governments to implement it?

The literature on unequal democracy suggests that the preferences that matter for shaping policy are those of the very rich, which differ significantly from those of the majority in matters of economic policy (Bartels 2008; Gilens 2012; Hacker and Pierson 2010; Page, Bartels, and Seawright 2013). Our findings corroborate the thesis of a "representation gap" as we find a reversal of preference ordering when we restrict our sample to roughly the top 1 percent or less. Surprisingly, even for this select group the preferred growth strategy is export-led, not profit-led.

To shed further light on the origins and the size of this representation gap, the research presented in this paper should be expanded in several directions. First, future research should explore the preferences of economic elites with a dedicated elite survey. Additionally, research should consider to what extent preferences for growth strategies are robust to provision of information and perceptions about their possible adverse effects (e.g., Giger and Nelson 2013). For example, do preferences change significantly when respondents receive information about the inflationary bias of a wage-led growth strategy? Survey experiments or other causal identification strategies would be helpful to answer this question. Furthermore, it would be important to examine the salience of preferences for growth strategies in comparison with other policy issues, since the mismatch between government policy and citizen preferences could reflect low salience (Busemeyer, Garritzmann, and Neimanns 2020; Culpepper 2011). Finally, recent literature posits that the source of income (labor or capital-related) is not the sole determinant of economic preferences, but asset ownership, and especially homeownership, increasingly plays a role (Ansell 2014; 2019; Chwieroth and Walter 2020). Our expectation, which should be tested, is that asset ownership imparts on preferences for growth strategies a similar deflationary bias to retirement status, reducing preferences for wage-led growth.

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