Carles Boix, *Political Parties, Growth and Equality: Conservative and Social Democratic Economic Strategies in the World Economy*. Cambridge: Cambridge University Press, 1998. 280 pp. Cloth, $59.95; paper, $19.95.

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9 September 1999

Carles Boix's *Political Parties, Growth and Equality*, the deserved winner of this year's Best Book Award from the Political Economy Section of APSA, sets the highest standards for modern comparative political economy. The subject is important and timely: the differing economic policies of left and right governments to foster growth in open and institutionalized democracies and those policies' role as partisan strategies to forge winning electoral coalitions. The core arguments ring truthful and are elegantly and effectively made. (A) While social democrats and conservatives both seek growth, each adopts different policies—the left using public investment in human and physical capital and the right reducing taxes and government involvement in the economy to free private resource-allocation—to foster that growth. (B) They choose these alternative policies because they have different distributional consequences that favor either a leftish coalition of the low-skilled and poor plus middle-class elements or a rightish coalition of the high-skilled and wealthy plus middle-class elements. (C) Finally, and in contrast to Keynesian aggregate-demand-management policies, these divergent partisan strategies are not much constrained either by confining international and domestic institutions or by increasing exposure to international finance and goods markets. The supporting evidence is drawn from government policies across developed democracies (i.e., the OECD) in recent years. More detailed analysis of British and Spanish experiences since the eighties, under conservative and social-democratic governments respectively, supplements this and serves nicely to demonstrate the plausibility of Boix's interpretation of the evidence.

No summary review could give justice to the sophistication of these arguments and the breadth of empirical evidence and interpretative effort brought to bear upon them. In particular, this review slights Boix's economic set-up that presents a policy tradeoff between "social wages" that hinder employment but foster equality and employment-growth policies that less directly address

inequality; it also slights the electoral tradeoffs that underlie left and right governments' differing policy choices within that dilemma. Instead, it focuses on the differing partisan growth policies and institutional and international constraints thereupon. On this, the evidence is overwhelming that, such constraints notwithstanding, public investment in human capital (education, Table 3.4, pp. 72-3) and physical capital (Table 3.2, p. 62) is generally larger under left than right governments. Likewise, the left generally spends more (Table 3.6, pp. 78-9) on active labor-market policies (i.e., "training measures, subsidized employment, and measures for the disabled…" p. 75), and the right taxes high-income citizens much less than the left (Table 4.5, pp. 96-7). Finally, the probability of at least a small privatization (definitions of small, medium, large: pp. 88-9) is generally far higher under right than under left governments (Tables 4.3-4.4, pp. 90-3).

The evidence from Spain and Britain (ch. 5-8, pp. 105-201) adds substantive concreteness and demonstrates that the posited underlying electoral sources of differing partisan strategies operate in at least these two countries. However, it adds little to the arguments that left and right structural policies differ and do so, in contrast to macroeconomic policies, with little institutional and international constraint because Spain and Britain are chosen as the "extreme cases in the OECD sample of that decade" (p. 102). They therefore cannot reveal much about what determines *how constrained* party economic strategies are by institutions and international exposure (beyond "less than 100%"). Thus, I slight these chapters too and focus instead on the more broadly comparative sections in raising two concerns, which, while important, should not detract from Boix's impressive achievement more generally.

The first concern regards the characterization of the institutional and international constraint arguments as implying zero partisan effects and the failure to gauge adequately the relative degrees of constraint and partisan maneuverability. Boix begins by summarizing recent scholarly and popular suggestions that increasing and increasingly overwhelming institutional or international constraints radically limit domestic parties' policy options:

> Most scholars – and many voters – question whether electoral politics and political parties have any significant impact on … policies to deliver growth and full employment… Due to

> towering institutional and economic constraints, [they claim,] parties fail to affect economic policies and aggregates permanently … (p. 2).

He takes the literatures in question to claim one or a combination of two things:

> Growing economic interdependence…[forces] convergence of macroeconomic policies, […rendering] partisan forces and electoral politics altogether irrelevant…
> Parties are trapped…in institutional equilibria, […leaving] political-economic outcomes […determined by] the set of institutions that characterize each polity for long periods of time…
> [==> Domestic] partisan actors play a rather marginal role (p. 2).

However, the book shows conclusively *only* that, to whatever degree (not explored) such conclusions may be warranted or increasingly warranted regarding Keynesian aggregate-demand-management policies, they do not *fully* constrain more micro, supply-side, or structural policies. The latter, Boix claims, are also more central economically (and therefore politically):

> Managing demand has become a rather inane issue… The…stagnation and joblessness that beset Europe today are not rooted in…short-term…economic cycle[s]. Similarly, the decline of incomes among unskilled American workers is a function of far-reaching structural changes that no expansionary measures will cure (pp. 2-3).

The book demonstrates beyond doubt that *sizable* latitude remains for differing partisan structural policies to address these structural problems. The left invests in human and physical capital to raise productivity and thus foster both growth and equality, raising taxes or reducing other spending if necessary to do so. The right reduces taxes and other public economic activities to unleash market incentives that foster private capital-formation and growth and even, perhaps, in the long-run, greater equality, cutting public spending, including investment, if they must to achieve that.

However, *how much* parties may be constrained in pursuing these options by institutions and international exposure *relative to macroeconomic policies* is inadequately explored. Theoretically, e.g., how "necessary" tax increases rather than debt-issuance will be to conduct the left strategy will vary. If the political and/or economic costs of taxes and debt are unequal, then partisan strategies will also be conditioned by these relative costs, which may depend, e.g., on international exposure. Indeed, indirect evidence on such tradeoffs in the book rejects any stark version of the institutional, convergence, or partisan claims. Policies, perhaps even the balance of aggregate and structural policies, seem conditioned on interactions of institutions, international

exposure, and partisanship.

The nearest to a direct comparison of partisan, institutional, and international explanatory power appears in Table 3.2 (p. 62), which reports a regression of public investment share of GDP on left-party cabinet-share, labor organizational-strength, their interaction, trade openness, and financial integration, *inter alia*. Financial integration is highly insignificant, but trade openness gets a more negative coefficient, greater than its standard error though still insignificant at standard levels. The regression has specification issues (an apparent unit root and many irrelevant included variables), so strong rejection that international exposure reduces public investment is unwarranted. More importantly, the convergence argument is that exposure forces convergence to optimal levels of public investment, which may even imply increases for poorer countries starting from very low levels. That was not tested, but the evidence does clearly show that the left is more constrained by deficits and facilitated by surpluses in pursuing its policy options, perhaps implying some kind of micro/macro policy tradeoff. Figure 3.3 (p. 57) also shows clear convergence in the share of GDP allocated to education (less clear in spending per youth). While public-fixed-capital share of GDP is not reported, Figure 3.1 (p. 54) likewise shows a clear common downward trend and slight convergence in public-capital share of total capital. The book gets no closer to direct comparison of international-exposure and partisan effects, let alone any consideration of how one might condition the other, but the evidence seems to suggest *partial* constraint and *partial* partisan latitude.

More direct and more sustained comparisons of labor organization, partisanship, and their interactive effects were attempted. Tables 3.2, 3.5 (pp. 62, 65), e.g., actually show that in highly organized (i.e., social-democratic-corporatist) countries, partisanship *does not* influence public investment; contrarily, partisanship has sizable impacts where such organization is lacking. This suggests, again, that both the labor-market institutional-constraint and partisan-freedom arguments have it partially right. Labor-market institutions that induce highly coordinated bargaining seem to produce economic conditions such that both left and right have similar dominant structural-policy strategies. Partisan strategies, contrarily, increasingly diverge as labor-market institutions

induce less coordination. This could suggest that left and right partisans employ other, perhaps macroeconomic, policies in coordinated environs. E.g., if coordinated bargaining amplifies macroeconomic-policy efficacy (e.g., Lange and Garrett 1985; Alvarez et al. 1991; Hall and Franzese 1998), then macro and structural policies could be *partial* substitutes. The relative efficacy of each would depend, e.g., on political-economic institutions, implying, perhaps, e.g., that left governments in (non) coordinated settings would use more micro (macro) policies. Such possible partial tradeoffs between structural and aggregate policies and their potentially institutionally and internationally determined terms are not explored. Yet the case studies reveal highly partisan aggregate policies around elections—e.g., González and Thatcher both tended to time tax increases/reductions to fall near/far to/from elections, respectively (e.g., pp. 109-10)—so macro policies are clearly neither irrelevant nor fully constrained either. While the literature has just begun to explore the combination of *partial* institutional and international constraints on monetary and fiscal policies (e.g., Clark et al. 1998; Clark and Hallerberg 1999; Franzese 1999ab; Garrett 1998), neither the literature nor this book have yet combined that with Boix's (*correct*) emphasis on structural policies (*as well*).

My other concern is that the alternative strategies are treated as economically equal and as independent of the institutional and international conditions in which they are formulated. The key economically is the degree to which public investment redresses market failures and so is efficient relative to the investment outcomes of less-adulterated free-market incentives. Boix states explicitly that, since he explains policies not outcomes, he takes no stand on that, claiming only parties' and voters' beliefs about policy-outcome relations matter (p. 12). Yet, eventually, the actual policy-outcome relations must begin to affect quality-of-life sufficiently for pursuers of inadequate policies to suffer electorally as citizens observe stronger performance elsewhere. Similarly, even if evidence of inefficiency always remains sufficiently unclear to allow parties to follow either strategy with low electoral cost, scholars, policymakers, and voters still *believe* that institutions and international exposure alter the relations between policies and outcomes. If so, the policy choices of governments,

even their micro policy-choices, could remain highly partisan-differentiated and yet also be highly institutionally and internationally conditional. What seems an optimal partisan strategy must depend on how, e.g., institutions and exposure alter relations between policies and outcomes.

In sum, the book represents a remarkable scholarly achievement, absolutely demonstrating the importance of *partisan* differentiation in *structural* economic policies, even or perhaps especially in an age of growing international and institutional constraints. Even its omissions manage to set important agendas for modern comparative and international political economy: to analyze the *interactions* of these constraints and partisan interests in determining democratic governments' choices regarding the *mix* of aggregate and structural economic policies to apply to their nations' economic problems.

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